

BUSINESS WEEK

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INDEX
YEAR
AGO



John F. Daley: At du Pont...



a general manager's power...



... is always equal to his...



responsibility (page 40)

A MCGRAW-HILL PUBLICATION

JAN. 2, 1954



Down To Bedrock ... *in maintenance, too!*

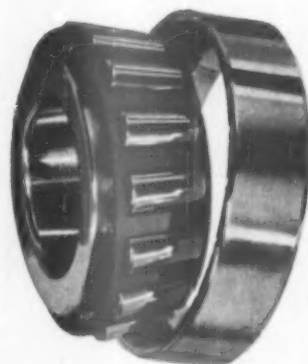
You see them everywhere. The 'dozers, the scrapers, the trucks, the big shovels. Whenever the job calls for "getting down to bedrock", man uses his mightiest tools. For this is a job that calls for ruggedness and dependability. This is a job that calls for durable Bower Spher-O-Honed bearings! ☆ Found on virtually all leading makes of earth-moving equipment, precision-built Bower bearings have proved their ability to stand up indefinitely under the toughest conditions. That's because Bower combines, to the fullest extent, highest quality materials, improved manufacturing methods, and painstaking workmanship. Moreover, Bower engineers, through Spher-O-Honed design, have incorporated important refinements in Bower bearings which enable them to take heavier loads, yet keep maintenance right down to bedrock! ☆ Bower engineers can show you how Bower bearings will improve *your* product, too—be it rugged earth movers or jet engines. Get in touch with Bower now!

BOWER ROLLER BEARING COMPANY • DETROIT 14, MICHIGAN

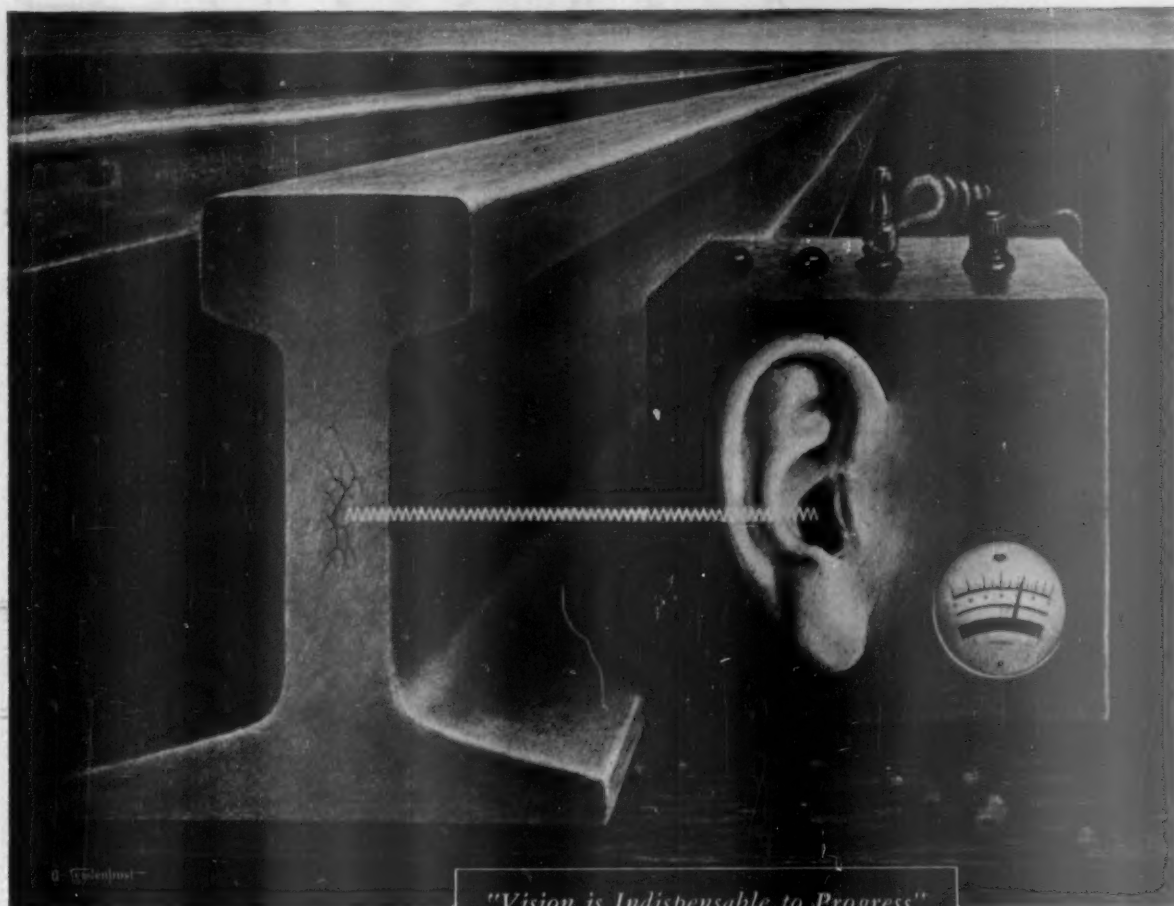


BOWER

ROLLER BEARINGS



A COMPLETE LINE OF TAPERED, STRAIGHT
AND JOURNAL ROLLER BEARINGS



"Vision is Indispensable to Progress"

It hears unseen flaws in metal... works production miracles for industry

Modern instruments perform almost any function the human mind can conceive. In executing and directing man's orders, they are working production magic in American industry.

There are instruments that see, others that hear or feel...even some that detect odors. They sort and count molecules, discover tiny flaws and leaks, measure power consumed by microscopic tools, identify substances, reproduce contours...and record their findings instantaneously, continuously on dial or chart. New digital computing machines, working at lightning speed, solve weighty mathematical problems—even "worry" about accuracy of solutions, locate and correct errors.

Today's instruments, by actuating pneumatic or hydraulic pressure and

electrical impulses, control pressure, temperature, humidity, flow, motion, speed and direction...even volume and pitch of sound, shade of color, density of solutions and richness of gas mixtures. Almost any kind of industrial operation can now be started, held and stopped automatically by controls and instruments.

Accompanying the three-fold growth of instrument manufacturing plants in recent years, is an impressive upward sales curve—from \$455 million in 1939 to approximately \$2½ billion in 1951.

Oak Ridge alone uses 60 carloads of instruments, mounted on 10 miles of panels. One manufacturer saves \$5,000 every working day from an instrument investment of only \$20,000.

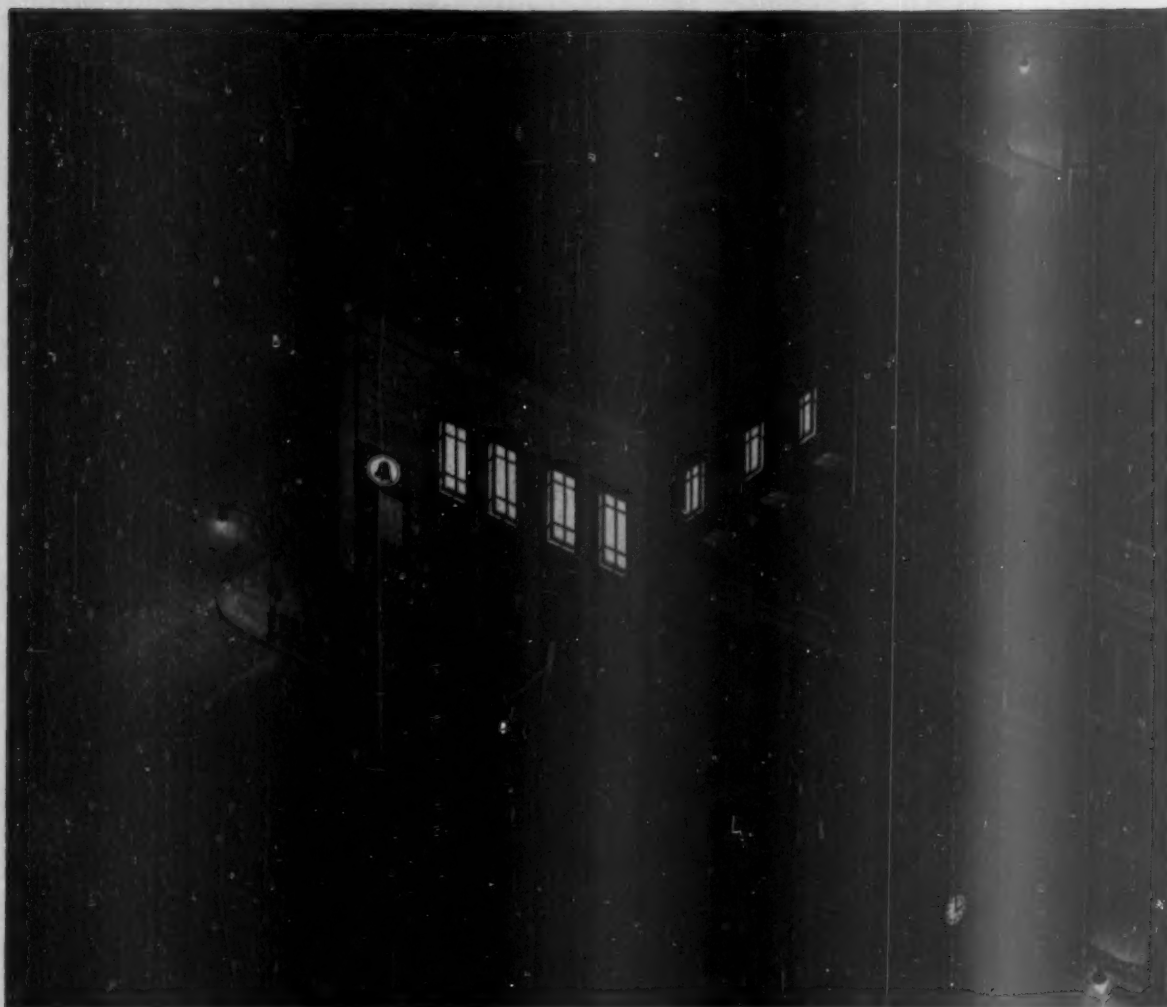
In providing American industry with miraculous devices that expedite work, assure quality, safeguard equipment and products, protect human life and release workers for more creative tasks, instrument manufacturers typify the progress being made by men of vision, free to make use of their energy and talents.

BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION





A Light Forever Burning

A Voice That Is Never Stilled

Night comes on and spreads a blanket of darkness upon sleeping cities and towns. Here and there a lone policeman. In the distance a clock tolling the hour.

In the dark silence of the night there is one light forever burning . . . a voice that is never stilled. That light is the light in the telephone exchange. That voice is the voice of your telephone. Its very presence gives a feeling of security and of nearness to everyone.

Whatever the need or the hour, the telephone is always ready to serve you—quickly, dependably, and at small cost.

BELL TELEPHONE SYSTEM

LOCAL to serve the community. NATIONWIDE to serve the nation.



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BUSINESS WEEK • JAN. 2 • NUMBER 1270

(with which are combined The Analyst and the Magazine of Business) • Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder & Publication Office, 99-129 North Broadway, Albany, N. Y. • Editorial, Executive and Advertising Offices, 330 West 42nd St., New York 36. • Donald C. McGraw, President; William Chevalier, Executive Vice-President; Joseph A. Gerardi, Vice-President and Treasurer; John J. Cooke, Secretary; Paul Montgomery, Senior Vice-President; Publications Division: Ralph B. Smith, Vice-President and Editorial Director; Nelson Bond, Vice-President and Director of Advertising. Subscriptions: Address correspondence regarding subscriptions to J. E. Blackburn, Jr., Vice-

President and Director of Circulation, Business Week, 99-129 N. Broadway, Albany 1, N. Y., or 330 West 42nd St., New York 36. Allow one month for change of address. Subscriptions to Business Week are admitted only from management-men in business and industry. Postage and company connection must be indicated on subscription orders. Single copies 25c. Subscription rates—United States and possessions \$6.00 a year; \$12.00 for three years. Canada \$7.00 a year; \$14.00 for three years. Other Western Hemisphere countries \$15 a year; \$30.00 for three years. All other countries \$25 a year; \$50.00 for three years. Entered as second class matter Dec. 4, 1916, at the Post Office at Albany, N. Y. under Act of Mar. 3, 1879. Printed in U. S. A. Copyright 1954 by McGraw-Hill Publishing Co., Inc. All Rights Reserved.

Is a Building Worth This to You?

\$440.

Of course it is!

But you'd be surprised at the number of really good businessmen who haven't taken the time to think about this one fact —

The only way to have complete protection against fire and disaster is to connect your property to the Municipal Fire Department.

And that is easy to do. In any area covered by a Municipal Fire Alarm System, you usually can install the Gamewell Master Fire Alarm Box . . . frequently for as low as \$440 for the equipment. Ask a Gamewell engineer for the facts. Write today.

THE GAMEWELL COMPANY
 CHESTNUT STREET
 NEWTON UPPER FALLS 64, MASS.



Tooled up to help industry build

Two new bessemer converters are another example of Great Lakes Steel's readiness and ability to serve its customers in 1954.

Their job is to refine molten pig iron for the open hearth furnaces Great Lakes uses to make fine steel. This new installation doubles the capacity of the plant's bessemer facilities and contributes importantly to efficiency and quality in steel-making.

Big in themselves, these 25-foot high bessemer converters are only a small part of the major "tooling-up" we've been doing at Great Lakes Steel. A new blast furnace, a new slab mill, new coke ovens—all are part of a program which now assures automotive and other manufacturers of more high-quality flat-rolled steel. All together, our enlarged and balanced facilities give us an annual

capacity of *four million ingot tons*. And that's good because Great Lakes Steel was set up in the first place to provide industry in its area with a *dependable first source* of sheet, strip, and other shapes used here in vast volume. We've become that source largely because of our *integration* as a steel-maker. We start right with the ore, and work it through blast furnaces, bessemer, open hearths, blooming mills, hot and cold rolling mills and merchant mills, down to the finished forms. That gives Great Lakes flexibility that lets us do a real job.

Look for more great things from Great Lakes Steel—the nation's foremost specialist in flat-rolled products. We aim to serve well our customers in many fields . . . while we keep pace with the automotive industry's mammoth needs. *Great Lakes Steel Corporation, Detroit 29, Michigan.*

Offices also in Chicago, Cleveland, Grand Rapids, Lansing, New York, Philadelphia, St. Louis and Toledo.

Great Lakes Steel

NATIONAL STEEL  CORPORATION

GREAT THINGS HAPPEN AT GREAT LAKES STEEL



a great 1954

Illustration: Bessemer converters, Great Lakes Steel.

No Room for Industrial Complacency

Do you believe that American industry is equipped with remarkably up-to-date and efficient machinery? If you do, you are mistaken. The fact is that a large share of American industry's equipment is ancient, of obsolete design and incapable of attaining the efficiency that is made possible by modern production techniques.

This fact is documented by the Seventh Inventory of Metalworking Equipment, just completed by AMERICAN MACHINIST, a McGraw-Hill publication. In brief, AMERICAN MACHINIST shows that:

1. More than half (56%) of American industry's most basic production equipment—machine tools and metal-forming units—is overage, and much of it is so old that it has very limited usefulness.

2. Since Korea, the situation has become dangerously worse.

Facts vs. Plausible Theory

These conclusions contradict the widely-held

impression that America's industrial equipment is in better physical shape than ever before. The prevalence of this impression is not surprising. We, as a nation, have spent about \$125 billion for new industrial plant and equipment since World War II. That is more than in any previous period in our history. During 1953, American industry invested \$21 billion in new plant and equipment, an all-time high. From this, it would be reasonable to infer that our industrial plant and equipment must be in fine condition.

But the facts do not support that inference with respect to the machine tools and other metalworking equipment that are so crucial to our economy in war and peace. Here are the key findings of the AMERICAN MACHINIST Inventory:

- (1) More than one million machine tools—out of a total of less than two million in the metalworking industries—are at least ten years old. Many of these, after day and night operation

during the war years and the recent rush to rearm, are actually much older production-wise than their age in years indicates. In most cases, these machines are unable to produce goods as efficiently as modern equipment can, thus needlessly increasing costs.

(2) Almost one out of five machine tools is more than twenty years old. Most of these machines are so outdated by modern standards that they have little more than scrap value. And an even larger portion of our metal-forming equipment (presses, brakes and shears, bending and straightening machines) has passed the 20-year mark and is beyond normal retirement age.

(3) Two out of three machine tools are of designs predating World War II, though many of them have been built since the war. Thus, two-thirds of our machine tools fail to incorporate the many major postwar improvements in design and operating methods.

(4) Never before has outmoded high-cost equipment been so widely diffused throughout American industry. In every one of fifteen major divisions of metalworking production, more than 45% of the machine tools are at least ten years old.

(5) Not since the depression days of the 1930's has the average age of machine tools risen so rapidly as it has in the past four years. Today, 55% are ten years old or older, compared with 43% just before Korea.

Quality vs. Quantity

Why has the condition of our metalworking equipment been steadily deteriorating since the end of World War II? Part of the explanation lies in the fact that, in the immediate postwar years, production of metalworking equipment lagged behind the production of industrial equipment generally. The larger part of the explanation, however, lies in the tremendous postwar expansion of the American economy. This expansion, which has more than doubled our total industrial capacity, has imposed requirements for metalworking machinery that have been met only by more extensive use of old and obsolete tools. In the critically important field of metalworking, the job of providing up-to-date tools is bigger than it ever has been.

There are those who argue that the time has come to cut back investment in new industrial plant and equipment and divert more of the national income into current consumption. They cite both the great increase in the nation's total industrial capacity since World War II and the fact that some industries now have more than ample producing capacity to meet their needs. But this type of calculation leaves out the *efficiency* of that producing capacity.

The AMERICAN MACHINIST Inventory makes it manifest that in the key field of metalworking we are alarmingly short of first-rate, low-cost producing capacity. If we fail to remedy this situation by speeding the replacement of obsolete tools, it will be at the peril of our prosperity, at the peril of a sustained increase in our standard of living and of our national security.

McGraw-Hill Publishing Company, Inc.

The All New MOBILIFT 4000 Pounder Has Everything You Want in a "Sit-Down" FORK LIFT TRUCK

Here are Just a
Few of the Trend-
Setting Features...

- ◆ Chrysler 65-hp 6-cyl. Gas Engine
- ◆ Chrysler Gyrol Fluid Coupling
- ◆ Mobil-Matic Drive for smooth, positive power transmission through the MOBILIFT Oil-Immersed, Multiple-Disc Clutch and Constant-Mesh Transmission—Two speeds forward, two reverse.
- ◆ One Lev-R-Matic Control for forward and reverse...just Push to go forward—Pull for reverse—NO CLUTCH PEDAL—NO GEARS TO SHIFT
- ◆ MOBILIFT Full-Floating Drive Axle.
- ◆ Hydraulic Service Brakes.
- ◆ Combination Ball-Bearing Worm & Nut Type Steering.
- ◆ Easy to Get On and Off—no obstructions. Free access from left or right side.
- ◆ One-Piece Hood Raises for Easy Service Accessibility.

These—and many more—exclusive MOBILIFT features makes this new D-424 the lift truck for you!

Write today for complete details.

Model D-424
4,000 lbs. capacity
at 24" load center
83" hydraulic mast
lift height 108"



LAMSON MOBILIFT CORPORATION

835 S. E. MAIN STREET, PORTLAND 14, OREGON

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1313 SPRING STREET, N. W., ATLANTA

READERS REPORT

The New Germany

Dear Sir:

It is . . . a pleasure to congratulate you . . . on an outstanding report to executives, namely "The New Germany: Nucleus of a New European Economy?" [BW—Dec.12'53,p100]. I consider this one of the most factual reports of its kind and, by my own thinking and observation, constructively correct.

E. F. HARTERT

DIRECTOR
INTERNATIONAL DIVISION
LINE-MATERIAL CO.
MILWAUKEE, WIS.

Dear Sir:

Chancellor Adenauer . . . in the photo on page 100, seems to be pointing towards your map of West Germany on the opposite page, and I can almost hear him say: "Mein Gott—why have they omitted to indicate that three-quarters of Berlin forms part of the West?!"

Otherwise I congratulate you on your excellent article on the new Germany.

DR. INGEBORG HOFFMANN
GROSSE POINTE, MICH.

• Three-quarters of Berlin does belong to the West. However, the report was about the Federal Republic, which does not include West Berlin politically or economically.

Dear Sir:

. . . I do a lot of reading in the field of international economics . . . but none of the material on Germany was as eloquent and informative as . . . your article on the new Germany. . . .

CURTIS J. HOXTER
GEORGE PEABODY & ASSOCIATES, INC.
NEW YORK, N. Y.

Dear Sir:

. . . As I have a factory in Germany I know the conditions there, and I admire your article. . . .

MAX KASS
NEW YORK, N. Y.

Dear Sir:

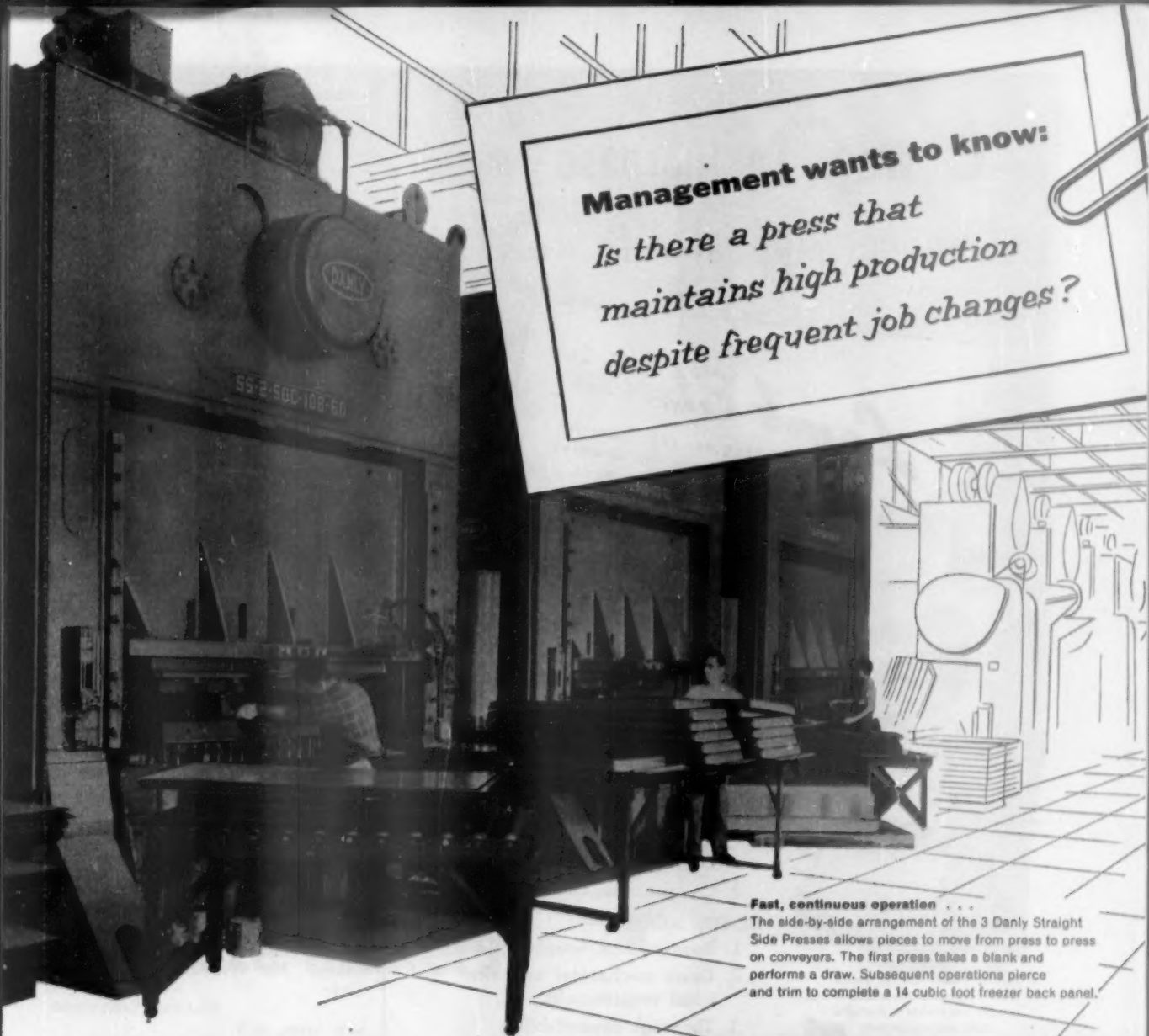
I . . . enjoyed this article very much. . . . It supplements information I gained (when in Germany) in September and October this year. . . .

R. E. FRANCIS
KANKAKEE CITIZENS SYSTEM
KANKAKEE, ILL.

Wayward in the Summer

Dear Sir:

. . . How did you manage to state [BW—Dec.5'53,p99] that "The Seven



Management wants to know:
*Is there a press that
maintains high production
despite frequent job changes?*

Fast, continuous operation . . .

The side-by-side arrangement of the 3 Danly Straight Side Presses allows pieces to move from press to press on conveyers. The first press takes a blank and performs a draw. Subsequent operations pierce and trim to complete a 14 cubic foot freezer back panel.

*GENERAL ELECTRIC COMPANY meets tight schedules
on a wide variety of large stampings with*

DANLY PRESSES

Today it's 14 cubic foot freezer backs . . . tomorrow it may be any of 15 other stampings. With such frequent job changes and schedules pushing capacity to the limit, GE faced the problem of keeping production high and down-time losses low.

The solution? They found it in Danly 500-ton Straight Side Presses . . . setting new performance standards in meeting the demands of one of the most intensely competitive markets in American Industry . . . demands for uninterrupted production runs with minimum down-time for job changes or routine maintenance.

This story is being repeated in leading stamping shops from coast to coast . . . proof it pays top management men to be cost conscious instead of price conscious in picking mechanical presses.

DANLY MACHINE SPECIALTIES, INC.

2100 South Laramie Avenue, Chicago 50, Illinois

It costs less to run a DANLY PRESS!



MECHANICAL PRESSES . . .
SINGLE, DOUBLE, TRIPLE ACTION
AUTOFEED . . . UNDERDRIVE

If your manufacturing process involves high production and expensive dies, it will probably be worth your while to talk with a Danly Press Engineer. Call now—he will be glad to discuss your specific problems. There is no obligation for this service.

6 Ways To Increase Product Appeal with a...

Lamb Electric
SPECIAL APPLICATION
FRACTIONAL HORSEPOWER
MOTOR



A motor engineered for compact assemblies... as computing machines and other types of motor driven office equipment.



Having inbuilt control switch and receptacle, this motor is readily adaptable to portable tools and equipment.



Planetary inbuilt speed reducer provides straight line drive, quiet operation and long gear life.

**THEY'RE POWERING
AMERICA'S Finest PRODUCTS**

Designing your new product or redesigning an existing one with a Lamb Electric *specially engineered* motor can result in up to six sales stimulating advantages:

IN THE PRODUCT —

1. Better performance.
2. Improved appearance.
3. Compactness, less weight.

IN THE MOTOR —

1. Reduced cost, weight, space.
2. Exact mechanical and electrical requirements.
3. Thorough dependability.

We extend you a cordial invitation to use our comprehensive engineering service.

The Lamb Electric Company
Kent, Ohio

In Canada: Lamb Electric — Division of Sangamo Company Ltd. — Leaside, Ontario

Lamb Electric
SPECIAL APPLICATION
FRACTIONAL HORSEPOWER **MOTORS**

Year Itch is a comedy about a wayward bachelor with an overactive imagination and a strong conscience? If the leading male character in The Seven Year Itch had been a bachelor there would have been no play, since the itch in question is that experienced by him throughout his seven years of married life for experience with some woman other than his wife. . . .

HAROLD R. HORTON

SECRETARY-TREASURER
GOODMAN MANUFACTURING CO.
CHICAGO, ILL.

• Originally the copy described the play's hero as "a wayward summer bachelor." Somehow the all-important adjective fell out along the way.

One Reader to Another

Dear Sir:

Allow me to compliment Reader Lawyer Loucks who would like not to be placed under Social Security, but would rather come under a new law allowing the professional man "to set aside a portion of his pre-tax earnings" for retirement [BW—Dec.19'53,p10].

That, I must agree, is much preferable. When one thinks of one's own payments for Social Security, for company retirement plan, and for E Bonds to supplement income under such a retirement plan, none of which can be made out of pre-tax earnings, one is reminded that setting aside these amounts from pre-tax earnings would be a very much happier arrangement.

WAGE SLAVE

Dear Sir:

Re K. L. Wandke's letter [BW—Dec.19'53,p10] . . . International and Internal Revenue Code are both wrong. Should be INFERNAL Revenue Code. . . .

MILTON ROSENBERG

NEW YORK, N. Y.

In Record Time

Dear Sir:

I was interested to note [BW—Dec. 5'53,p30] a photograph of my son and daughter and me loading our car after we had cleared our baggage, which consisted of six traveling bags and six packages.

May I advise you that the "white collarites" shown on page 31 did quite an adequate job of tying up the S.S. United States to the pier . . . as according to my timing, without the aid of the usual dock hands, they managed to complete the job in less than 30 minutes.

. . . The officers of the U.S. Lines, as well as the officers and stewards of the S.S. United States, did a magnificent job of getting the passengers' baggage



Space savers... space makers!

Johns-Manville Asbestos Movable Walls provide offices when and where you want them!

YOU can rearrange your present space or have new space partitioned off quickly and economically with Johns-Manville Asbestos Movable Walls. There is little or no interruption of normal routine.

These flush-type, asbestos panels have a clean, smooth surface that's hard to mar, easy to maintain . . .

and extra strong to withstand shock and abuse. Also, they are light in weight, easy to install and relocate. The "dry wall" method of erection assures little or no interruption to regular routine.

Johns-Manville Asbestos Movable Walls may be used as ceiling-high or free-standing partitions. The

complete wall, including doors, glazing and hardware, is installed by Johns-Manville's own construction men under the strict supervision of trained J-M engineers . . . responsibility is undivided.

An estimate will convince you that the cost of J-M Movable Walls compares favorably with other types of wall construction. For details write Johns-Manville, Dept. BW, Box 158, N. Y. 16, N. Y. In Canada write 199 Bay St., Toronto 1, Ont.



Johns-Manville

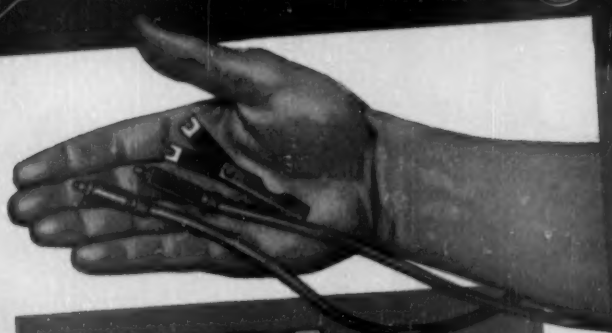
ASBESTOS

Movable Walls

INSTALLED NATIONALLY BY JOHNS-MANVILLE

INDUSTRY Lives by the

INCH



The validity of the principle of air flow as a precision gaging medium, as established by Sheffield Research, inspired a chain of ideas for its application.

One of these, the Plunjet Gaging Cartridge, is the sensitive feeler unit which contacts a point on the part being gaged. When several critical points on a surface must be checked or the relationship between surfaces determined, several Plunjets can be appropriately grouped in a gaging fixture for that purpose.

The small size and simplicity of the Plunjet permits its use under space restrictions that would preclude the use of other types of pick-up. Its use in the field of machine control is almost limitless for the same reason.

The Plunjet is another Sheffield contribution to modern gaging practice. Without modern economical production equipment to assure interchangeability, both the mass production assembly line and today's replacement parts system would be impossible.

Industry lives by the inch.

Gage Division, The Sheffield Corporation, Dayton 1, Ohio, U. S. A.



SHEFFIELD

off the ship. . . . There were adequate hand trucks available on the pier, so that once passengers had passed customs they could move the trucks out to the street. . . .

HARRY L. LOURIE

EXECUTIVE VICE-PRESIDENT
NATIONAL ASSN. OF ALCOHOLIC
BEVERAGE IMPORTERS, INC.
WASHINGTON, D. C.

Penny-Wise

Dear Sir:

We were very much interested in your Money Talks—for Ads picture and caption [BW—Nov.28'53,p42]. We . . . are "penny-wise" and way out in front for credit due on money ads!

The Bradford Dyeing Assn.'s unique ad (depicting several pennies falling out of a purse). . . appeared after protestations all along the line from printers, art directors—even the U. S. Post Office.

The Lavenson Bureau and the U. S. Secret Service, however, were wide awake to the fact that Congress' July 16, 1951, amendment to the criminal code had legalized the depiction of U. S. currency in advertising. The appearance of the ad was, we think, a moral victory as well as another "first" in American advertising.

ALLICE E. HALLSTROM

ASSISTANT PUBLICITY DIRECTOR
LAVENSON BUREAU OF ADVERTISING,
INC.
PHILADELPHIA, PA.

• Another reader, Leo P. Bott, Jr., of Chicago, reports that his agency was telling clients they could reproduce coins before we did.

They Fly from Dallas

Dear Sir:

The item under Local Briefs on page 115 of your Dec. 5 issue may . . . give the impression that Dallas' municipal airport, Love Field, has sustained a heavy traffic loss.

BUSINESS WEEK reported two figures: Love Field lost 21,255 passengers; Carter and Meacham Fields gained 21,567. . . . The report should have said: Love Field enplaned 142,110 passengers; Carter and Meacham Fields enplaned 40,559 passengers.

These figures are from the airlines' official reports to the Civil Aeronautics Board on domestic passengers for the third quarter of 1953. . . .

ANDRE W. DESHONG

MANAGER, AVIATION DEPT.
DALLAS CHAMBER OF COMMERCE
DALLAS, TEX.

• We had the figures for passengers enplaned at the airfields, but didn't use them solely to save space.

Acme Steel Strapping Insures S.A. *(Safe Arrival)*

And the solution to your carload
shipping problems may be here



U. S. railroads and shippers wage a continual fight against faulty loading of freight, a major cause of 100 million dollars worth of damage-in-transit suffered each year.

Acme Steel Strapping helps them. It makes car-loading easier, quicker and cheaper. It provides better shipping protection for carloads or cartons. It helps reduce losses, keeps shipping cost down. Everybody benefits from S. A. (Safe Arrival).

If you have a shipping problem, why don't you tell us about it? Acme Steel Strapping has solved a lot of product protection problems, and we may have just the idea you need.

Write Acme Steel Products Division, Dept. BW 14, ACME STEEL COMPANY, 2840 Archer Avenue, Chicago 8, Illinois. Acme Steel Company of Canada, Ltd., Montreal, Quebec.

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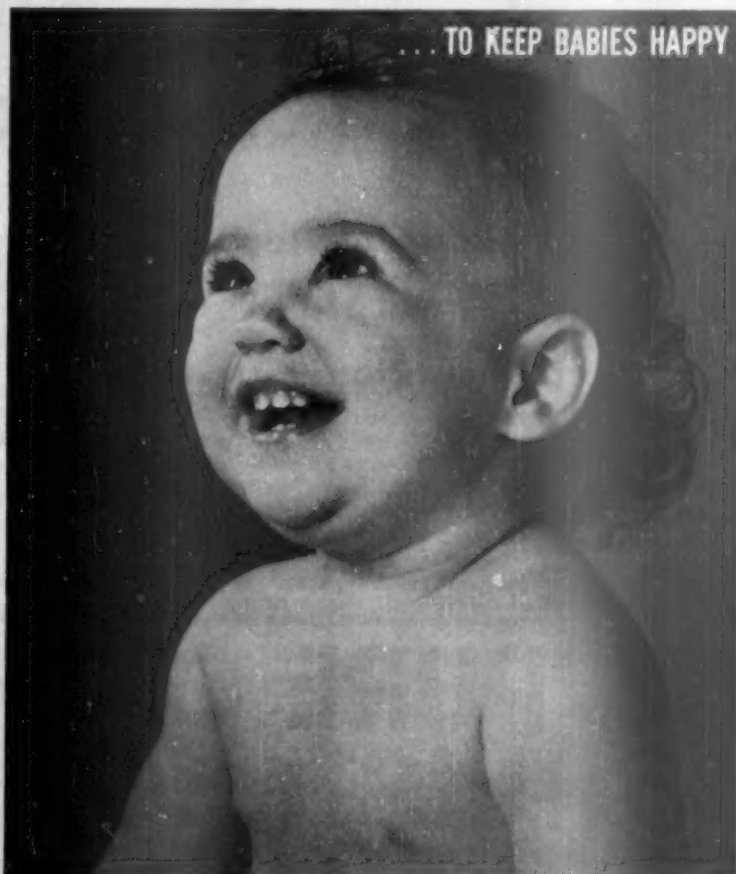
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BUSINESS OUTLOOK

BUSINESS WEEK

JAN. 2, 1954

A BUSINESS WEEK

SERVICE

Business right now is undergoing a test, whether you call it a shake-down, a correction, a recession, or whatever.

By dictionary definition, we already have had a bit of recession:

Production, in physical terms, has slid 6% or 7% from its top.

Turnover, measured in dollars, has slowed by \$10-billion or so.

Business failures are at a postwar high, demand for money is slack by last year's standards, steel operations are down 20%, autos and homes aren't selling so fast as they did, major appliances are in oversupply, textile demand is disappointing, railway freight loadings are running 10% behind last year, and electric power's gain over a year ago has narrowed.

This doesn't mean the bottom has fallen out or will fall out. However, it rules out rose-colored glasses in favor of hard-headed realism.

About the best advice to businessmen now is: Take a close look at your order book. Check it against inventory. Figure, as best you can, how your customers are fixed. Then get out and sell.

Counting on government to fix everything up is shortsighted.

To be sure, the Administration has eased money market conditions. And it proposes to adjust the tax structure so as to restore some business incentives (page 37).

Naturally, the GOP wants healthy business come November.

But governments still have little to guide them in ironing out business swings.

Any businessman can pretty well figure the shape and size of the economy simply by rounding up its most important parts:

- **Government spending**—Economies will continue. This will shrink business to the extent that the savings are not rebated in lower taxes.

- **Business spending**—Outlays on new plant and equipment will decline a few percentage points. Inventory buying, though, may dip more sharply.

- **Consumer spending**—Purchases of goods and services will be back-stopped by past savings and the net of tax cuts. However, lower employment and elimination of overtime threaten to outweigh these plus factors.

- **Export-import volume**—No significant change is foreseeable here.

This picture of the economy holds no particular hazards (with the possible exception of inventories). But it is well to remember that nothing points up; something new is needed to arrest the downtrend.

In 1949, huge unsatisfied demand for cars and housing turned the tide. Right now, it's difficult to see any specific stimulant.

We're going into a period of seasonal unemployment—a time when Christmas mail carriers and store workers are let out, when farm and construction workers are idle because of weather.

Don't be too surprised if the jobless number 2½-million in January.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JAN. 2, 1954

Slack has been apparent in the labor market for some time, even though unemployment has remained negligible. Some day we will probably recognize this process for what it has been—a transition from overemployment to a better utilization of a more normal work force.

We had been using too many youngsters and oldsters. There had been too much upgrading and overtime. That's pretty much behind us.

Employment, as the new year starts, is back at about 60-million.

Consumers felt a flattening out, if not an actual decline, in their aggregate income in the last few months of 1953.

Nevertheless, personal income set a new high for the year in the neighborhood of \$285-billion. That was \$15-billion above 1952.

At yearend, however, consumers weren't taking in a great deal more than they had been the previous December. That helps explain why Christmas sales, if they set a record, did so by a very narrow margin (page 25).

You can look for consumers to continue doing their share to support the boom for some time at least.

You'll find a guide of sorts in 1949 experience. People then spent almost as much as in 1948—simply by trimming their saving.

Manufacturers of soft goods should get a chance at a larger part of the consumer's dollar in the next few months.

All signs are that people have caught up on immediate needs for autos, appliances, and the like. Demand for home furnishings will be curtailed by lower home building—at least until housing gets the proposed shots in the arm from Washington.

Thus the 20% share of the retail dollar that has been going for durables might fall back toward a prewar 17%.

Food stores' prospects probably are the best of all. As long as the breadwinner has a job, the average family will keep up its table. And, once the installments on the TV are paid off, there may be more meat.

Here's something about which you can be pretty sure:

The business slide in recent months would not have been so gentle and gradual had it not been for Uncle Sam's deficit.

The Treasury was out of pocket about \$9-billion the last half of 1953. This spending in excess of the tax take bolstered business.

But, in the next six months, this prop won't be there. The government will collect about \$6-billion more in taxes than it will pay out. This is deflationary—quite aside from people's feeling of poverty at tax time.

Watch the Federal Reserve's open market operations. These undoubtedly will seek to ease or eliminate any money pinch during the period that Treasury receipts are running far ahead of expenditures.

The Fed has been buying Treasury securities to feed the money market for some time. It will step up these operations.

Here...The Answer Was "Specialized" Control

THE PRODUCT...

*A Fine and Famous
Sewing Machine*

THE PROBLEM...

*To do Fine "Hand"
Sewing by Machine*



DESPITE the many improvements in sewing machines since the days of the old foot-powered models, much intricate needlework has had to be done by hand. But recently, starting with a design by a leading sewing machine manufacturer, Mallory engineers made important contributions and are now producing for this one manufacturer a new and individualized speed control which permits full power operation at the very slow needle speeds required for fancy sewing.

This power control unit is a new use of the vibrator current interrupter pioneered by Mallory for automotive radio, and suggests many applications in other fields. It typifies Mallory engineering which has developed specialized control units for many manufacturers with a constantly growing range of applications.

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only by her new sewing machine but also by her automatic washer, dryer and dishwasher—all regulated by Mallory timer controls so outstandingly satisfactory that they are used by most manufacturers of these appliances.

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Mallory—long a leading factor in electronics, electrochemistry and metallurgy—offers to manufacturers whose processes and products require precision-built controls and components an exceptional combination of research, engineering and production skills. It is a combination you can depend on, whether your control problem is simple or complex.

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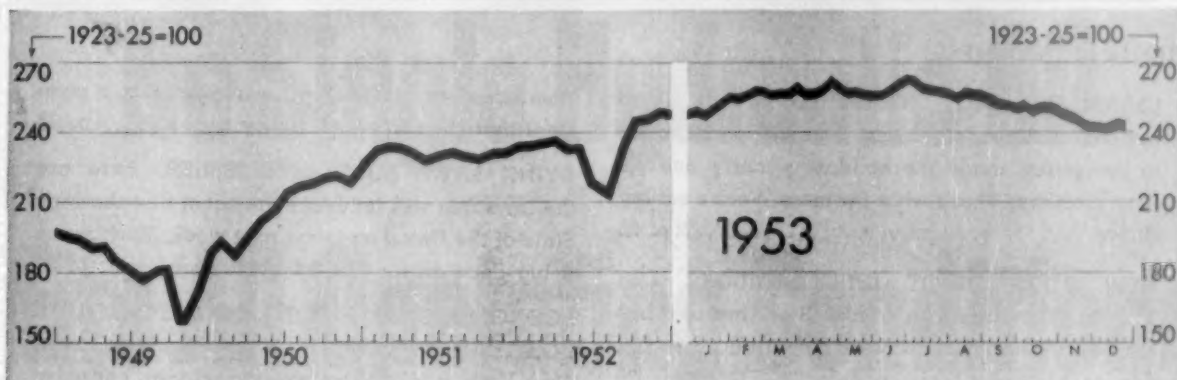
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GF STEEL SHELVING

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FIGURES OF THE WEEK



Business Week Index (above) *244.4 †246.4 244.5 249.7 173.1

PRODUCTION

Steel ingot production (thousands of tons).....	1,674	†1,444	1,972	2,226	1,281
Production of automobiles and trucks.....	92,954	†132,093	74,290	102,558	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$55,296	\$59,031	\$40,693	\$37,392	\$17,083
Electric power output (millions of kilowatt-hours).....	8,150	8,896	8,138	7,550	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	††6,257	†6,248	6,227	6,594	4,751
Bituminous coal production (daily average, thousands of tons).....	1,340	†1,398	1,493	1,723	1,745

TRADE

Carloadings: manufactures, misc., and L.C.I. (daily av., thousands of cars).....	64	69	73	72	82
Carloadings: all other (daily av., thousands of cars).....	39	40	48	46	53
Department store sales (change from same week of preceding year).....	-1%	-3%	-2%	+4%	+30%
Business failures (Dun and Bradstreet, number).....	162	210	173	95	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	414.6	†409.9	405.5	408.8	311.9
Industrial raw materials, daily index (U. S. BLS, 1947-49 = 100).....	82.8	83.0	83.7	93.4	††73.2
Foodstuffs, daily index (U. S. BLS, 1947-49 = 100).....	98.1	†95.8	95.6	86.0	††75.4
Finished steel, index (U. S. BLS, 1947-49 = 100).....	141.4	†141.4	†141.4	130.6	††76.4
Scrap steel composite (Iron Age, ton).....	\$30.17	\$30.00	\$33.83	**\$42.00	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.).....	††29.980¢	†29.975¢	29.994¢	24.500¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	N. A.	†\$2.34	\$2.36	\$2.43	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	32.71¢	†32.55¢	32.77¢	32.72¢	30.56¢
Wool tops (Boston, lb.).....	#	\$2.12	\$2.12	\$2.07	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	195.8	†197.5	196.8	210.1	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.75%	3.73%	3.74%	3.50%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	2½%	2½%	2½%	2½-2½%	1-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	N. A.	56,085	54,302	55,448	††45,820
Total loans and investments, reporting member banks.....	N. A.	81,058	80,371	79,803	††72,036
Commercial and agricultural loans, reporting member banks.....	N. A.	23,130	23,205	23,494	††9,299
U. S. gov't guaranteed obligations held, reporting member banks.....	N. A.	33,036	32,745	33,091	††49,879
Total federal reserve credit outstanding.....	27,708	26,921	26,428	27,860	23,883

MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1946 Average
Cost of Living (U. S. BLS, 1947-49 = 100)..... November.....	115.0	115.4	114.3	83.4
Retail sales (seasonally adjusted, in millions)..... November.....	\$14,270	\$14,024	\$14,026	\$8,541

*Preliminary, week ended Dec. 26, 1953.
 **Basing pt., less broker's fee.

† Revised.
 †† Estimate.

‡ Insufficient trading to establish a price.
 N. A. Not Available at press time.
 § Date for "Latest Week" on each series on request.

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CHRISTMAS SALES MEASURED UP. It didn't happen until almost too late, then shoppers flocked to the stores, made the holiday a merry one for most retailers. That's what Business Week's survey showsp. 25

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DEFENSE CONTRACTS: NO MORE ADVANCES. The Defense Dept. wants to bow out of financing contractors' preliminary costs in defense jobs. But businessmen don't think the idea will get very farp. 27

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DYING LAWS MAKE LIVE ISSUES. Here are the laws that will influence President Eisenhower's State of the Union message next week. Each poses a big decision for the Administration.....p. 29

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No Single Hydraulic Oil Fits All Operating Conditions Economically

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to give top performance and economy in any system*

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"When we sign an Otis maintenance contract with a building owner, we not only promise to keep his elevators in good running condition—we promise the *fastest possible* service.

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GETS THERE FIRST via U.S. Scheduled Airlines



← Shoppers flocked into the stores in the last days of the Christmas season

● Result: After a frighteningly slow start . . .

Christmas Sales Measured Up

A procrastinating public last week finally made Christmas a merry one for most U.S. retailers. With the breath of St. Nicholas on their necks, shoppers at last went out and did their duty by the merchants.

The result: Christmas, 1953, just about lived up to expectations (BW—Oct. 10 '53, p31). It didn't fulfill the girlish hopes of those who dreamed of a 10% increase over last year. But in most places it matched, or came close to, the record of 1952. And that was the best holiday storekeepers have ever had.

There were exceptions to this—some bright ones, some particularly drab. San Francisco, for instance, never did catch up with the pack. Sales of some stores were as much as 5% behind last year; on a citywide average, volume was off 2% to 3%. On the other hand, Columbus, Ohio, had the "greatest year in history." Every important store said business far and away topped expectations.

All told, of the 18 cities surveyed by BUSINESS WEEK last week, 12 reported a good to excellent Christmas season. Three classed sales as mildly good, three as poor or "disappointing." Of these last, however, one city—Pittsburgh—qualified as a special case. A strike of drivers and warehousemen, which continued to tie up deliveries, kept many

shoppers out of the downtown stores.

• **Slow Start**—For all the fruit it finally bore, Christmas in many places took an annoyingly long time to come into bloom. As late as Dec. 19, Federal Reserve figures showed U.S. department store sales for the season running 3% behind last year. Merchants, here and there, had begun to have serious doubts about whether there really was a Santa Claus.

The last week, however, pretty much restored the faith. In New York, where sales had been dragging 4% behind a year ago, the final week appears to have run 15% to 20% over the closing days of 1952's season. The extra shopping day this year made a tremendous difference. Memphis stores, which report the best Christmas season ever, say the last 10 days pulled them over the top.

In several cities more than the calendar was doing the pulling. In Atlanta the season was, by and large, a big success; but merchants agree that a lot more customer-coaxing had to be done this year. There was more advertising, more "free trolley rides," more night openings, more gimmicks, harder selling. It was much the same in Boston. Spurred by the Retail Trade Board, the metropolitan transit system put several hundred extra cars into service; the Boston & Maine and New Haven railroads stepped up their schedules. The

newspapers, also needed by the merchants, gave more space than ever to front-page reminders of the number of shopping days left. To this, they added a crescendo of final day-to-day news accounts of the feverish shopping scene downtown.

• **Bargain Hunters**—From all across the country, there seemed consensus on one point: Shoppers this year were more bargain-conscious than they had ever been in the past.

A Salt Lake City department store manager sums it up this way: "It was a five-and-dime Christmas. Our volume was about the same as last year, but our small-ticket sales were nearly double 1952." An Atlanta clerk said, "They were tougher this year. They came later, stayed longer, looked harder for values."

In Philadelphia, where stores had scant hopes that last-minute shopping had brought them up to their 1952 mark, several managers noted a definite buyer resistance to prices. They cited the slowness in toy sales, until Gimbel's bought up Firestone stocks and put them on sale with prices slashed as much as 50%. Other stores followed with price cuts on their own stock, and volume improved—though it never matched Gimbel's phenomenal showing.

• **What They Bought**—A number of

stores feel that luxury items this year were softer than usual. Yet street floor departments did consistently well. Jewelry, sweaters, lingerie, sportswear, and accessories generally went ahead of last year. Men's furnishings were particularly strong, with several cities reporting a better volume in male plumage than they had from their women's departments.

Toys made a good showing almost everywhere. Salt Lake City said the volume in electric trains was "surprisingly high." Atlanta, however, found train sales disappointing, said that if it hadn't been for wheel goods and other items, "we'd have been in bad shape." Radios did far better than their seeing-eye cousins, TV sets; most cities said these were very soft.

• **What They Skipped**—As a matter of fact, the weakest lines this Christmas were the big-ticket appliances followed closely by furniture. A number of cities also noted a slowness in the smaller housewares. Higher-priced furs dragged in most places, though two cities said they had done "surprisingly well." Day-time dresses and coats (though not cocktail dresses), men's suits and topcoats, and boy's wear generally didn't measure up to what had been expected.

• **Inventories**—Despite these certain soft spots, almost every store surveyed reported a healthy inventory position. Even where sales hadn't lived up to hopes, there was little talk of trouble in the stock rooms.

"We've been buying on a conservative basis for several months now," said one St. Louis store man. "And that's the way we plan to continue. With the exception of imported items, deliveries have been very good. There's no reason to buy heavily. We can get back into the market whenever we want to."

In the face of this official calm, however, there are signs that January sales this year will show higher markdowns than in the past. Said a Dallas store owner who had had "a good, but not spectacular" season: "We are determined not to be loaded with inventories. Clearances will be more radical."

In Salt Lake City, a citywide "white elephant sale," backed by heavy newspaper ads, will begin Jan. 10. One store in Buffalo, which had a "great" Christmas, plans to stage a rummage riot. Other cities, however, admit to only the normal post-holiday clearances.

• **To the Suburbs**—This year, as last, one nationwide trend seems to persist in all the Christmas business. Department stores in downtown areas of almost every city failed to show gains as impressive as other retailing shops. Not only their suburban competitors, but their own suburban branches, seemed to do a better business, proportionately.

New Steel Ingot Index Bridges the Years

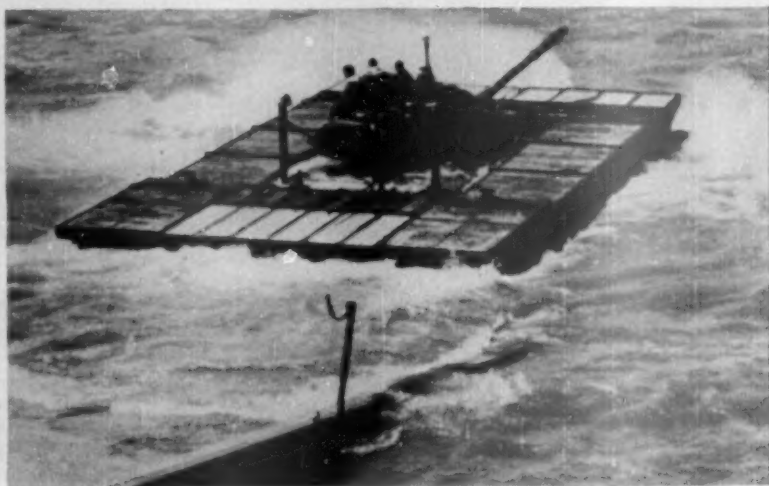
A new measurement of steel output, called an Index of Industry Ingot Production, has been developed by the American Iron & Steel Institute. It will be issued weekly hereafter, just as the percentage operating rate has been reported in the past. Under the old method AISI has reported each Monday that the industry would operate that week at so many percent of rated capacity.

This week, it reported as its primary figure an index based on the average annual production of three postwar

years, 1947 to 1949 inclusive, which is the new base period for a number of government indices. The index figure was 104.1 for the week starting Dec. 28, compared with 89.8 the preceding week, 122.6 a month ago, and 138.4 a year ago.

The percentage operating rate was useful only for comparing output in a given calendar year. It did not serve to bridge years, a defect that caused trouble because rated capacity changes from year to year.

On the Figures of the Week page, however, BUSINESS WEEK will continue to report the estimate of actual tonnage produced. Tonnage figures serve equally as well as an index figure to show the variations week to week, year to year.



Tank Goes Out to Sea, Armed for Battle

U.S. Army engineers have found a way to float a medium M-47 tank so it can be transported by water without being disarmed. The bargelike platform is built in sections. With turret and 90-m.m. gun

muzzle above the water, the floating tank provides its own defense against enemy vessels. Above, new flotation barge is being launched. Below, the tank is afloat, with its gun ready for action.

Defense Contracts: No More Advances

● The Defense Dept. is trying to get out of financing contractors for tooling, engineering, and other preliminary costs.

● If the policy works as billed, it would mean more private financing through banks, and probably more V-loans.

● But businessmen don't think the policy will be strictly enforced. At least, it hasn't hurt much yet.

Defense contractors here and there are beginning to feel the effects of a policy change made last summer by the Defense Dept.: a clampdown on advance and progress payments by the government to get contract work started.

The new rule forces contractors to arrange their own financing for tooling, raw materials, engineering, and other expenses preliminary to defense work. Up to last summer, the government had been liberal in financing these preliminaries and in making periodical payments for work in place.

Strictly speaking, that policy was never lawful except for rare and special cases. But while the sellers' market prevailed and the mobilization was boiling hottest, the exceptions became the rule: Uncle Sam provided most of the financing for the contractors he was begging to take jobs. Now the crash-dive emergency has petered out, and the Administration is economy-minded. So the order has gone out: Don't tie up government money.

• **Spotty Enforcement**—A survey by BUSINESS WEEK reporters, mostly among the smaller companies that are primarily affected, shows that the new rule is not uniformly effective.

In some areas, contractors say they're still getting progress payments. These aren't all in the construction field, either (in that industry, progress payments are traditional and legal). And they're not all in contracts dating from before the policy shift. Businessmen see a lag between the announcement of a policy in Washington and its enforcement in the field. They also sense that the policy will be interpreted more liberally than Washington admits.

The effect on business varies, too, according to the nature of the defense work. The policy, if enforced to the hilt, would hit hardest at the work requiring long lead-time and a lot of special tooling and engineering: aircraft, ships, machine-shop work, electronics. But even there, the pinch so far is local and not too severe. Many—

perhaps most—small companies in these fields are subcontractors, and the big prime contractors take care of the financing.

• **Business for Banks**—Defense has insisted that exceptions to the no-help rule will be made only for contractors who (1) have used their own funds to the utmost, (2) have borrowed all possible funds from banks, (3) have been unable to get even a government-guaranteed V-loan, and (4) are the only people who can do the job in question.

Undoubtedly, ability to finance a contract privately will be a criterion when the Defense Dept. awards jobs on bid. Some banks expect a heavy call for credit in the next few months as bidders gird themselves for the increasingly fierce competition for a dwindling volume of defense orders. The banks aren't happy about the prospect. They say the profit margin on defense work is getting so narrow that contractors aren't good risks, by and large.

"We'll lend strictly on our appraisal of a company's financial standing," says a Houston banker, "not on its prospects of a defense contract with a built-in government loan guarantee."

"We won't grant a loan to any man who walks in off the street and produces a government contract," says a banker in Ohio. "No matter if a loan is guaranteed by the government, we make it only if we know the firm from past experience and have looked into it ourselves."

• **More Caution?**—Manufacturers and bankers agree that government payments on completed contracts are coming through more slowly now that fighting has stopped in Korea. The loan officer of a Toledo bank estimates that payments are running 90 to 120 days later than when Korea urgency was in the air. Hence, banks are more cautious about backing manufacturers who may have to sweat for their money. They also see the annoyance of more red tape than in the days when government procurement people took short

cuts in the routine fixed by regulations.

While the banks mostly talk caution, some at least are practicing a more liberal policy—and a few welcome a chance to get more loan business. One Midwest bank says its loans to small companies in 1953 ran nearly 20% ahead of 1952. And executives of two Milwaukee banks agree that they'd be pleased to get more V-loan business.

V-loans are still a tiny fraction of bank loan business—only 2% or 3% of total loans outstanding in most banks. But a Wisconsin bank vice-president praised the Korea V-loan program as "very well handled." He called V-loans the "logical way to finance defense production in the future."

• **Contractors React**—Defense contractors queried by BUSINESS WEEK reporters about the new Defense Dept. policy reacted in all degrees from "I didn't know there had been any change" to "Secretary Wilson just wants big business to get everything."

A company executive in San Diego was skeptical that the government could divorce itself from financing defense work. "I don't believe they are going to do anything drastic," he said. "There isn't enough private financing in the world to take care of the needs of a few big companies." He regards the rule as a priority or preference system for awarding contracts, not as a real cut-off of payments.

A Detroit businessman cited General Motors' issuance of \$300-million in debentures as a sign of the vast sums of money that a big manufacturer may have tied up in defense work.

• **More Gripes**—Contractors repeatedly told BUSINESS WEEK reporters they were chiefly afraid the new policy would add to the delays they are already experiencing in getting final payments on old contracts.

A Houston contractor told of a \$250,000 order, for which he borrowed money to buy materials and trained labor to turn out his first batch of finished items. Then it took the procurement people three months even to tell him where to ship the stuff for acceptance. His plant and his money were tied up for months before he got his government check—while the bank was continually on his neck for repayment of the loan.

Another company in New Hampshire had \$8-million in government contracts, mostly for development work by its labor force of 450 workers. The government stopped progress payments a few months ago, and the company vainly tried Boston banks and other banks for a V-loan. This concern is about to liquidate its defense contracts and stick to civilian work.

Spraberry Back

Texas oil field allowed to resume normal production, since casing-head gas is now piped for use.

The 2,200-odd oil wells in the Spraberry trend in West Texas started back toward normal production at the end of this week, after nine months of meager dribblings. And the Texas Railroad Commission, monarch of the state's petroleum, surveyed the busy scene with a Cheshire-cat grin.

The reason for the grin was simple: In all the vast field not a flaring of gas was visible. Through miles of pipe, the huge quantities of natural gas that are pumped up with the Spraberry crude were flowing to useful destinations.

The scene had been far different in March when the field was last in full production. Then, something like 220-million cu. ft. of casing-head gas were flared every day, while only about 60-million cu. ft. were utilized.

• **Shutdown**—The commission shut down the whole field to stop the waste, after repeated efforts to get action from the producers had failed (BW—Apr. 4 '53, p. 26). The commission's ruling made no distinction between the sheep who used their gas and the goats who flared it. That was to prevent inequities, and the draining of the whole field by the favored wells.

The order was based on the commission's conservation powers. The loss by flaring has been a double one:

- The direct loss of gas worth from 5¢ to 20¢ per 1,000 cu. ft., and of the hydrocarbons that can be stripped from the gas.

- Destruction of gas that, left in the ground, provides a valuable escalator to lift the crude to the surface from its underground reservoirs.

The blanket stoppage brought howls of anguish from the producers, who claimed that each day the loss of their 82,000-bbl. production was costing them \$200,000. Court actions followed, and eventually the wells that did conserve their casing-head gas won the right to produce (BW—Jun. 20 '53, p. 36). Reluctantly, the commission gave the favored group an allowable of 11 days per month. The others were still shut down.

From this situation, the commission moved to one of its greatest victories. The producers, seeing the handwriting on the wall, went to work fast. In a phenomenally short time, every well in the field was tied into a pipeline system that would put the gas to work.

- **Boost in Allowable**—So well did they work that at a recent commission hear-

ing, the El Paso Natural Gas Co. and the Permian Basin Pipeline Co. announced that by this weekend every well would be hooked in. The commission promptly ruled that the whole Spraberry field could resume production, with a 17-day allowable. This boosted the January allowable for the entire state of Texas by 67,517 daily bbl. to a total of 2,824,423 bbl. a day.

FTC Sets New Merger Rules

Federal Trade Commission sends Pillsbury case back to trial examiner, with comment on what makes mergers illegal; the comment shapes a policy.

The Republican Federal Trade Commission has laid down clear-cut plans for enforcement of the new and tougher antimerger law—Section 7 of the Clayton act.

In a long decision on the Pillsbury case—the first filed under the 1950 law (BW—May 9 '53, p. 29)—chairman Edward F. Howrey set forth the rules for a businessman on the verge of a merger. His criteria go about like this:

- Even if you're a major factor in a major industry or market area, it isn't automatically—"per se"—illegal for you to buy up one or more major competitors. You'll have a chance to present your side of the case.

- Nevertheless, you must be prepared to have the antimerger lawyers regard you as a probable violator—a "prima facie" case of illegality.

- Against such a "prima facie" case, you have your chance to show why your particular purchases of competitors are innocent.

- FTC examiners, and the commission itself, will then decide on the basis of the evidence presented in your particular case whether or not the merger is illegal.

- **Balance of Evidence**—The language and emphasis that Howrey used made a precedent that can be useful to the antimerger prosecutors. The main point: Mergers are illegal if they "may tend" to lessen competition, if there is "a reasonable probability" of a substantial lessening of competition.

To Howrey and his fellow commissioners, the evidence in the Pillsbury case proved that "the pattern of competition in the Southeast, particularly in the cities, has undergone a considerable change as a result of the mergers"—a change that "constitutes a move away from healthy competitive conditions."

- **The Facts**—FTC lawyers had cited the following situation in trying their case before a trial examiner:

Pillsbury, second biggest flour miller in the U.S., bought two makers of

The allowable had gone down in each of the five previous months.

As for the natural gas that will now be put to work, the Permian Basin line—a subsidiary of Northern Natural Gas Co.—will move its share to the Corn Belt customers of its parent company. The line can handle up to 200-million cu. ft. a day. The El Paso line will send the gas it collects mostly to California.

flour and mixes in 1951 and 1952—Ballard & Ballard Co., and Duff's Baking Mix Division of American Home Products Corp. Both these companies were big factors in the Southeast.

After the acquisitions, Pillsbury raised its national sales of mixes from 16% to 22% of the market, and increased its Southeast sales of mixes from about 23% to 45% of that market.

FTC attorneys said that this was all they had to show to prove their case against Pillsbury: Where a leading factor in a market buys another factor in the market, you've proved that competition may be substantially lessened in the lines of commerce involved. And that's all the law requires, FTC attorneys held.

Examiner Everett F. Haycraft asked FTC attorneys to subpoena additional figures on production and sales of mixes of the companies before and after the mergers, plus figures from other competitors in the same area. When the prosecutors said they didn't have to do this to prove their case, Haycraft dismissed the case without ever hearing Pillsbury's side of the story.

- **Next Move**—Howrey and his fellow commissioners now reject the theory of the FTC lawyers. At the same time, they said that the hearing produced enough evidence for the examiner to rule for or against Pillsbury. The commissioners' new decision sends the case back to the examiner, for Pillsbury to present its side of the story.

In spotlighting the change in competitive patterns brought on by Pillsbury's acquisitions, the commissioners recognized that the same sort of thing has been going on in other industries. "In some of them," said Howrey, "competition between the big companies continues to protect the consumer interest. But as we understand it, it was this sort of trend that Congress condemned and desired to halt when it adopted the new Clayton act anti-merger statute."

These laws are expiring

Here's what the Administration is likely to do about them:

EXPIRATION DATE	LAW	PROBABLE ACTION
Dec. 31, 1953	Excess profits tax	Let die
Dec. 31, 1953	Increase in individual income tax rate	Let die
Dec. 31, 1953	Renegotiation Act	Seek extension
Mar. 15, 1954	Authority of President to distribute farm commodities for emergency relief to friendly countries	Seek extension and broaden
Apr. 1	Increased tax rate on corporate incomes	Seek extension
Apr. 1	Increased tax rate on capital gains of corporations	Let die
Apr. 1	Increased excise tax rates on alcoholic beverages, automobiles, trucks, cigarettes, gasoline, and sporting goods	Seek extension
Apr. 30	Rent control in critical defense housing areas	Let die
Apr. 30	Preference to veterans in purchase or rental of new housing	Seek extension
June 12	Authority of President to enter into reciprocal trade agreements	Seek liberalization
June 30	Suspension of duties and import taxes on metal scrap	Let die
June 30	Suspension of certain import taxes on copper	Let die
June 30	Mutual Security program terminates	Scale down
June 30	Authority of General Services Administration to conduct negotiated sales of surplus property	Seek extension
June 30	Federal authority to construct temporary defense housing and make grants in aid for community facilities and services in critical defense housing areas	Let die
June 30	Direct home loans to veterans	Seek extension
June 30	Time limit for applications for federal aid for school construction	Will take new look
July 1	Authority of Federal National Mortgage Assn. to make advance commitments for defense housing, disaster housing, and military housing	No decision yet
July 1	Authority of FNMA to issue purchase contracts	No decision yet
July 1	Authority of Federal Reserve Board to buy up to \$5-billion securities from U.S. Treasury in open market	Seek extension
July 3	Eight-year period of free trade relations between U.S. and Philippines	New under study
July 31	Suspension of ceilings on authorized personnel of armed services	Let die
End of crop year	Rigid price supports at 90% of parity for six basic commodities: cotton, corn, wheat, tobacco, rice, peanuts	No decision

Continued next

Dying Laws Make Live Issues

The program that President Eisenhower lays before Congress next week in his State of the Union message will be influenced considerably by the list of laws in this table—some already expired, the rest expiring during the coming session. Each poses a decision for the Administration: to extend, to modify, or simply let die.

• **First Hurdle**—The first action called for is on the Renegotiation Act, governing recapture of defense contract profits, which expired on Dec. 31. At the last session, the House passed a one-year extension, but the Senate deferred action. Now it has got to decide (1) whether to let stand an exemption written in by the House for producers

of standard commercial articles, and (2) whether to raise the ceiling on exempted contracts from \$250,000 to \$500,000. But extension is sure.

• **Taxes, Trade**—Apr. 1 is the deadline for action on three tax changes. The Administration is willing to let the corporate capital gains rate drop from 26% to 25% as scheduled, but will try to hold revenue from corporate income taxes and excises at present rates.

On extending the reciprocal trade agreements authority, the Administration is waiting on the Randall Commission's recommendations, expected to be on the liberal side. But the growing Congress protectionist bloc will fight.

• **Housing**—All veteran's legislation, in-

cluding housing preference, will be extended. But federal aid for defense housing, and rent controls in defense areas will end, as will the Federal National Mortgage Assn. advance commitments for defense housing. But Fanny Mae's purchase contracts to buy Veterans Administration and Federal Housing Administration mortgages will continue in some form.

• **Farmers**—One big headache is in the expiring price supports for basic farm commodities. What the Administration needs: a satisfactory compromise between the Republican drive in Congress for continued supports at 90% of parity, and Secretary Ezra T. Benson's flexible support program.



JOHN S. SINCLAIR, president of the National Industrial Conference Board, calls the Economic Forum to order. It's one of a series of NICB-sponsored discussions among business and academic economists—each reporting on his own special field. Subject for tonight: The Business Outlook, 1954. Chairman Sinclair: "Gentlemen, you have eight minutes apiece. . . ."



RUFUS S. TUCKER (center) of General Motors Corp.: "No one has yet forecast a sales figure for cars next year greater than in 1953. . . . Cars in use today average younger than they have for many years, and presumably fewer will need to be replaced next year. . . . But the demand for other durable goods looks to be stable."

Economists Gather to Pool



LOUIS J. PARADISO (left) of the Office of Business Economics: "The reduction in taxes—a rather small amount, on the average around \$50 a person—will not be enough to buy automobiles or refrigerators; consumers will, rather, channel this additional income . . . into the nondurable goods. . . . Purchases of non-durables will turn up."



ROY L. REIERSON (spotted tie) of Bankers Trust Co.: "Total bank loans may show a small decline in 1954—the first annual decrease in more than 10 years—with business loans registering the most significant reduction. . . . The accumulation of funds with life insurance companies, mutual savings banks, and other savings institutions is likely to be well maintained."



JULES BACKMAN (left) of New York University: "In 1954 I think we are going to have an inventory recession, a plant and equipment recession, an automobile recession, a housing recession. Government will probably be neutral or minus. That, to me, adds up to a sharper setback than in 1949. . . . I think it will continue through 1954."



EDWIN B. GEORGE (gesturing) of Dun & Bradstreet, Inc.: "Should business continue to decline moderately in first-half 1955 . . . the federal cash deficit would probably exceed \$15-billion in fiscal 1956. This would happen unless activity was rising sharply enough to produce offsetting gains in personal tax receipts and cuts in spending for social insurance."



THOMAS S. HOLDEN (right) of F. W. Dodge Corp.: "The trend of residential construction expenditures in 1954? Probably down 10%. . . . [But] highway roadside developments, motels, and so on are due to increase. . . . We are in a school building boom of unprecedented proportions. . . . Neighborhood shopping centers will probably continue to increase."



A. D. H. KAPLAN (center) of the Brookings Institution: "We have had at least three years of a very high rate of savings. On the basis of the 1949 experience, it is possible to tap that savings and increase the ratio of consumption to income. I foresee . . . between a 3% and 8% decline in personal income, between 2% and 4% in personal consumption expenditures."

Forecasts for the New Year



BRADFORD B. SMITH (white hair) of U. S. Steel Corp.: "Several factors lead me to conclude that the recession is going to be mild, perhaps the mildest on record. I would recommend that we suppose it will be somewhere around the 1949 magnitude. . . . I would estimate the average steel rate next year will be nearer 80% than 100% of capacity."



RICHARD P. DOHERTY (right), personnel expert of the National Assn. of Radio & Television Broadcasters: "I expect no change in the Taft-Hartley act. If changes are made, they are likely to be relatively minor. . . . Employment and average weekly earnings will decrease. . . . 1955 or possibly late 1954 should witness a gradual upturn from the low point of the dip."



JOHN T. DUNLOP (bow tie) of Harvard University: "The labor relations scene . . . has been unusually quiet. I do not think that same degree of peace can be expected in 1954. There will be a larger number of significant contracts opened in 1954. . . . On the basis of tonight's forecasts, I would expect average hourly earnings to go up . . . 5¢ to 8¢ an hour."



MARTIN R. GAINSBROUGH (right), chief economist of NIBC, sums up: "There were, in all, 14 participants tonight. As best I could determine, only two foresaw the same level of economic activity in 1954 as in 1953, or slightly higher. The balance expected a lower rate. . . . The historic parallels were drawn most often with the 1948-1949 business cycle."

Choleric TV

TV manufacturers are publicly purple-faced over conflicting claims about color TV and patent licenses.

The television industry this week is having a family tiff, but like most such it probably won't go beyond an exchange of hot words and dirty looks.

It all started two weeks ago when RCA ran a full-page advertisement in many big-city newspapers saying that it had won the fight for compatible color television.

The ad gave some television manufacturers a slow burn. They felt that RCA was hogging too much credit, that they were also entitled to some horn-blowing for their part in developing the standards.

• **Riposte**—Philco Corp. countered with a full-page ad that patted everyone on the back, including FCC. The copy congratulated the commission for approving the standards of the National Television System Committee, an industry group that worked out about 20 different operating factors that go into a color signal. But, said Philco, the standards "are not the work of any one company." Since then, both Admiral and Motorola have made statements attacking RCA's claims.

• **Quibble**—Actually, both sides are quibbling over a definition of terms.

RCA was first with a practical, all-electronic system, an assembly of equipment that can generate, broadcast, and receive a color video signal. NTSC can also claim a first for setting the standards to which the equipment's operation must conform. These standards are what FCC actually approved. Broadcasters and manufacturers can legally make use of the RCA equipment—or any other equipment that is able to meet the standards.

So both sides are correct, in the strictest sense.

• **Flareup**—But right now industry doesn't see it that way. RCA's ad triggered resentment that has been building up for a long time.

For one thing, the rest of the industry is peeved about RCA's control of so many basic patents for video. Critics say it's impossible for a competitor to produce a receiver without paying royalties to RCA. One maker estimates that its annual royalties to RCA run as high as the federal taxes it pays on video sales.

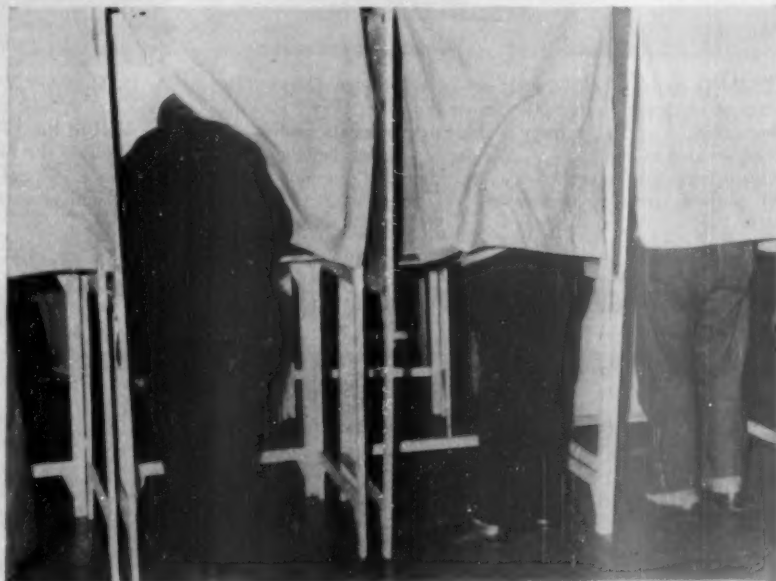
As a result of the ad, some companies are said to have complained to FCC and the Justice Dept. that RCA's patent pool on video is an illegal monopoly. So far, though, Zenith Radio Corp.

is the only one that has publicly released the gripes it has sent to FCC.

• **Counterblasts**—E. F. McDonald, Jr., Zenith's president, told FCC: "I have the feeling that this RCA campaign of misrepresentation is in some way associated with the fact that the current RCA license agreements expire in 1954,

along with some of the cross-license agreements of 1932.

"Zenith," RCA replied, "is now in patent litigation with RCA, and Mr. McDonald's last ill-chosen blast is an obvious maneuver on his part related to the action now pending in the Federal Court."



NEW YORK LONGSHOREMEN last week cast ballots between two unions. Result: . . .

New Hope for the New ILA

In the secrecy of curtained voting booths last week, New York longshoremen cast ballots to decide which of two unions would be their representative. They had a choice between the old International Longshoremen's Assn., ousted from AFL as racket-ridden, and a new AFL union of the same name.

AFL was not ready for the election. The National Labor Relations Board had set the date earlier than anyone had expected, thus cutting time short for AFL's harried organizers (BW—Dec. 26'53, p75). Old ILA was a heavy-odds favorite to pile up a huge majority.

This week, the picture looks different. Contrary to expectations, ILA (AFL) stands a close second to the old ILA at the present stage of ballot counting, and may have gathered enough added recruits since the election to be the top union in the port right now.

• **The Count**—The vote now counts 9,060 for the old ILA and 7,568 for the new ILA, with 4,397 ballots challenged on various technical grounds and not yet counted. Should AFL protests be upheld, they may never be counted; indeed, the whole election may be set aside and a new one ordered.

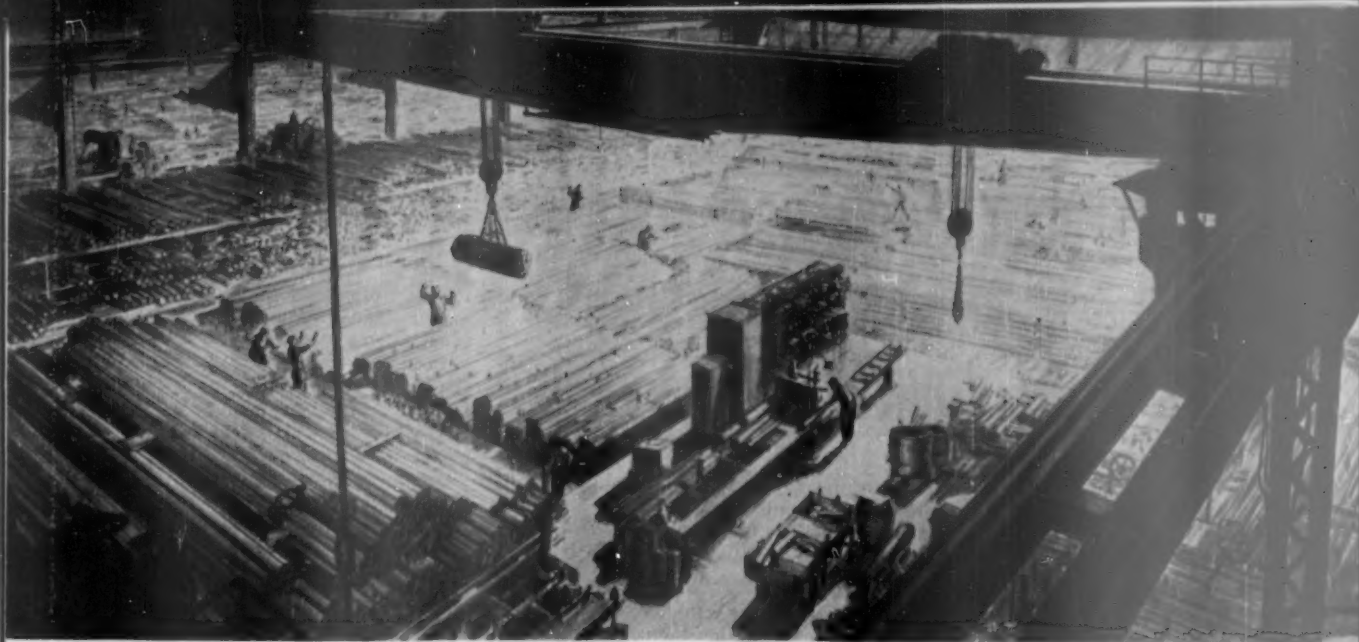
AFL had earlier underestimated its

strength because many dockers shied away from signing AFL membership cards. It now seems that many of these nervous dockers were on AFL's side, and were willing to vote for the new ILA in the secrecy of NLRB's booths. Wherever AFL organizers had been able to approach workers before the election (the brawn of the old ILA held organizers back from some docks) pro-AFL sentiment was hearty.

• **Challenge**—The unexpectedly close vote confirms AFL's opinion that the new ILA could have won if the election had been held later. AFL's president, George Meany, has asked NLRB to set aside the election. He charges that the voting took place "in an environment of coercion and intimidation."

New York's Gov. Thomas E. Dewey is worried, too, over reports "of the presence of gangsters and hoodlums in the vicinity of polling places." In obvious support of the new ILA, Dewey has initiated an investigation to see whether corrupt waterfront conditions "continued to frustrate a free election" last week.

Dewey's intervention makes it clear that he wants to bar certification of the old ILA on the basis of last week's voting.



steel stocks... ...again complete!

For years, as you well know, the demand for steel has exceeded the supply. So while we have been able to furnish many thousands of tons from our stocks, all kinds and sizes have not always been available.

Now we are glad to report that our stocks of Ryerson Certified Steels are large and complete. Even though the continuing strong demand still depletes a size here and there, you will find carbon steels, alloys, stainless—everything you need—on hand for quick shipment from your nearby Ryerson plant.

So call us whenever you need steel or have any question regarding what steel to use or how to fabricate it. Our experienced steel men will be ready to help you—and we can promise you prompt, dependable service.

PRINCIPAL PRODUCTS

CARBON STEEL BARS—Hot rolled & cold finished
STRUCTURALS—Channels, angles, beams, etc.
PLATES—Many types including Inland 4-Way Safety Plate
SHEETS—Hot & cold rolled, many types & coatings
TUBING—Seamless & welded, mechanical & boiler tubes
ALLOYS—Hot rolled, cold finished, heat treated
STAINLESS—Allegheny bars, plates, sheets, tubes, etc.
REINFORCING—Bars & Accessories, spirals, wire mesh
BABBITT—Five types, also Ryertex plastic bearings
MACHINERY & TOOLS—For metal fabrication

RYERSON STEEL

JOSEPH T. RYERSON & SON, INC. PLANTS AT: NEW YORK • BOSTON • PHILADELPHIA • CINCINNATI • CLEVELAND • DETROIT
 PITTSBURGH • BUFFALO • CHICAGO • MILWAUKEE • ST. LOUIS • LOS ANGELES • SAN FRANCISCO • SPOKANE • SEATTLE

COULD YOU USE A 'One Machine-Machine Shop' IN YOUR PLANT?

Stacks of parts waiting to be machined are the kind of bottleneck that gives executives headaches whether they are primarily concerned with meeting production schedules or charged with seeing to it that manufacturing operations are performed at a profit.

One of the major divisions of New Britain Machine is Lucas of Cleveland whose entire production for 52 years has been devoted to one type of machine — the Precision Horizontal Boring, Drilling and Milling Machine. As a result the name *Lucas* has become the byword in this specialized field.

A Lucas will perform many operations in sequence on one piece or a thousand, from small castings to a 30-ton weldment. Operations include boring, drilling, milling, facing, turning and profiling. Because it is a sturdy precision machine, it will not only rough but it will also finish work to the close tolerances required in the manufacture of jigs and fixtures. It is quickly set up for short runs and incorporates electric power positioning to automatically repeat multiple operations.

Perhaps this "capsule description" will indicate to you why a Lucas is one of the most used and most profitable machines in any shop, whether it is taking over bottleneck operations from other production machines, taking its place in the regular production line, or quickly doing critical maintenance operations that would otherwise have to be sent out. If you think that perhaps this one-man machine shop could be profitable in your plant, we'll be glad to mail you a more detailed and illustrated description.



THE NEW BRITAIN MACHINE COMPANY
LUCAS MACHINE DIVISION, CLEVELAND 8, OHIO

Machines For Making Progress . . .

AUTOMATIC BAR AND CHUCKING MACHINES
PRECISION BORING MACHINES
LUCAS HORIZONTAL BORING, DRILLING AND MILLING MACHINES
NEW BRITAIN +GF+ COPYING LATHES

BUSINESS BRIEFS

American Woolen preferred fell on its face in the market after the news that three of the nine directors were opposed to the proposed retirement of \$19-million of the shares. F. C. Dumaine, president of the New Haven railroad and leader of the dissenters, said the retirement would deplete cash reserves needed to improve the company's competitive position.

Carpet price cuts of 1½% to 7% by Bigelow-Sanford seem to assure generally lower prices in the trade this year. James Lees & Sons started the cut movement three months ago (BW—Oct.10'53,p70), but until now other majors have tended to hold back.

Two of nine blast furnaces at U.S. Steel's Fairless plant have been idled for what the company calls "inventory adjustments."

"Liquid" savings in the U.S. in the third quarter of 1953 were \$3.3-billion, the SEC reports. That's 36% less than the third-quarter 1952 total, though it's up a shade over second-quarter 1953.

Add railroad layoffs: The Baltimore & Ohio RR has furloughed 6,000 employees, 11% of its entire work force. The road blamed a \$150,000-a-day drop in revenues for the layoff, which has no time limit.

Agricultural exports from the U.S. in October fell 9% below the same month in 1952, the Agriculture Dept. reports. But for the July-October stretch, farm exports were still 4% above the previous year.

Billion-dollar-a-year expansion of the gas industry is in sight for the next four years, says the American Gas Assn. Over the period, AGA says \$1.9-billion will be spent on new lines, \$1.4-billion for new distribution facilities, and the rest for storage, production, and general plant expansion.

Aircraft production next year will probably hold its 1953 pace of \$9-billion, though the number of planes will be down. That's the prediction of Adm. D. C. Ramsey, president of the Aircraft Industries Assn.

Some heat-resistant metals are still critically scarce, despite the generally comfortable position of U.S. stockpiles. The Joint Congressional Committee on Defense Production says that 24 items are still at less than half of stockpile targets. The group includes ferroalloys and titanium.

HERE'S AN

ARIZONA MIRACLE



THAT MAKES A PIKER OF ALADDIN!

Forty miles northeast of Tucson there is a rolling, cactus-studded desert area where, a few months ago, *nobody* lived.

A few months from now this site will be the ultra-modern city of San Manuel, one of the 10 largest cities in Arizona.

COPPER, of course, is the magic symbol that accounts for this fantastic transformation.

Magma Copper Company owns thousands of acres in the area, and through its subsidiary, the San Manuel Copper Corporation, is changing the landscape with a breath-taking vision that makes a piker of Aladdin and his wondrous lamp.

In the first place, Uncle Sam agreed to buy \$184 millions of copper ore from the San Manuel mines.

Exploration disclosed enough low grade copper ore at the 700 ft. level to keep miners busy for 50 years.

Of course this required a new crusher plant; a huge, multi-million dollar mill, smelter and a railroad. So RFC made the largest business loan in history — \$94 millions — to develop this ore body and produce copper. One hundred million dollars will be expended before the first dollar's worth of copper goes to market.

San Manuel is expected to increase the total U. S. copper production by 8%, and the molybdenum production 16%. Last year, incidentally, Arizona produced more than 42% of the nation's copper . . . more than 15% of the entire world output of copper.



In addition to machinery and equipment, obviously an operation this size also requires thousands of workers. So Magma rolled up its sleeves and started on a scale that puts the Arabian Nights to shame. A complete, spanking-new town is being built to house the employees and their families.

First, an internationally-famous planner laid out the sites and winding roads. Then plans were drawn for modern, attractive, comfortable homes; for schools, churches, shopping centers; for playgrounds, utilities, sewers, paved streets, water systems, etc.

The city of San Manuel is designed to house over 7,000 persons. It will be a model community in every respect, with swimming pools, public parks, a hospital and theatre. Already homes and shops are being filled as rapidly as they are completed.

Before the first ore is shipped, San Manuel will take its place among leading Arizona cities with a payroll estimated at \$10 millions annually.

The entire town is literally springing up to blueprint specifications, built with \$8 millions supplied by private capital and managed by the builders, Del E. Webb Construction Company. An attractive city is planned, with neat lawns, trees and shrubbery. Starting from scratch, there will be no "wrong side" of the tracks, no slums. And with a firm 25-year Government commitment on its copper, San Manuel need fear no "ghost town" future.

* * * * *

The Valley National Bank is proud to be spearheading the group that is providing interim building financing for the construction of the \$8 million city.

Our service is being extended to San Manuel, where we are establishing the 34th office in our statewide system. The office is now functioning in temporary quarters, providing banking services for the army of construction workers.

Even in this remote desert area, the experience, know-how and resources of the largest bank in the Rocky Mountain States are available.

ARIZONA'S STATEWIDE BANK

RESOURCES OVER \$300 MILLION



Home Office: Phoenix

MEMBER FEDERAL
DEPOSIT INSURANCE
CORPORATION



One reason why "Gas" is selling at 1928 prices today

Prices of most things you use have about doubled since the 1920's. Among the handful of exceptions is gas for your car. Allowing for taxes, "filling 'er up" costs hardly any more today than it did twenty-five years ago.

Petroleum for most of the country's motor fuel is pumped from the earth hundreds or thousands of miles from where it is used. That's why cheap transportation is so important. Big, new, highly efficient tankers like the *Andros Hills* pictured above, carrying huge cargoes on the long journey from oil fields to refineries, are a

powerful factor in helping keep down the cost of gas.

The *Andros Hills* is representative of an entirely new basic tanker design, planned in every detail of hull and machinery at the Central Technical Department of Bethlehem's Shipbuilding Division, and now serving as the pattern for a sizable and expanding fleet of new tankers.

Never before could tankers so efficiently carry such huge cargoes over such long distances. The *Andros Hills* cruises along at 17 knots (19½ land

miles per hour). The cargo tanks hidden away in her cavernous hull carry over 10 million gallons. That's enough fuel to fill an average auto gas tank 600,000 times and to run the typical car about 160 million miles, equivalent to 6400 trips around the world.

More and more of these great new ships are traveling the oil routes of the world. Bethlehem shipyards have delivered over thirty tankers of this modern type and are building more, most of them on repeat order.

BETHLEHEM STEEL



WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JAN. 2, 1954

A BUSINESS WEEK

SERVICE

The political alignments for 1954 are shaping up. Washington is beginning to get the drift as Congressmen return from their vacations to get ready for the second session. Democrats, skittish about opposing Eisenhower after his tremendous 1952 victory, now are bolder and will oppose the President on many grounds. Republicans, worried about winning a majority in this year's elections, are trying to hold a common line—though individuals are fitting the cloth to their own district's patterns.

The Democrats are cooking up their strategy. They won't go so far as the publicized position of New Deal Sen. Kefauver of Tennessee and present their own program. But they will oppose the President on such key issues as farm policy, housing, money policies, and the like.

A "positive" Democratic program has been suggested. It will be turned down in January caucus. Men like Russell of Georgia and Rayburn of Texas would rather support the President on the "nonpartisan" issues such as defense and foreign policy so they will be free to oppose him on others.

They figure it this way: We can go to the voters in November and say we kept defense strong, world trade relatively free, despite opposition from the opposition wing of the President's own party.

The Republicans are still "culling over" the Administration program the President outlined in his December conferences. They will go along with a lot of things—the noncontroversial ones—but differences within the GOP ranks are showing up already.

That's why Eisenhower's Monday night speech is "must" material. It may well overshadow the State of the Union message to Congress on Jan. 7. By going to the voters directly, the President hopes to get support that, numerically, he simply does not have on Capitol Hill. He is making a super effort to make the speech a super recitation of what one year of Republican rule has done and what it will do to maintain prosperity at home and a militant, but peaceful, stand-up to Soviet power around the world.

The state of the union is good and "we'll keep it that way" is the theme Eisenhower will stress. His top economic adviser, Dr. Gabriel S. Hauge, so characterized the economy last Sunday. He said today's adjustment is down from an "overtime economy." The speech is being gone over by the best ghost writers of the Administration. This week such experts as Hauge, economic council chairman Arthur Burns and Charles F. Moore, Jr., Ford Motor public relations chief and an ace Presidential speech writer, refurbished the text for Monday night delivery. The State of the Union address on Thursday to Congress will spell out the details.

Eisenhower is gambling that the voters will force Republicans and Democrats into line. Both sides of the political aisles in the House and Senate are split to some extent. The Republicans want more tax cuts, for example, than the White House endorses—that's the wing of Rep. Dan Reed, tax committee chairman, who did not attend the publicized White House conferences. The Democrats want "easier" money, more solid farm supports, lower tariffs—the programs always favored by their party.

The Democrats will support foreign policy and defense. Conversations with leaders add up to this kind of attitude: We put over the few things

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JAN. 2, 1954

Eisenhower accomplished in 1953, and we'll go along again in 1954. But this year the Democrats will find plenty to oppose, too.

—•—
The Democrats will make the most out of "recession" talk. The GOP will counter with talk of "rolling readjustment." In this election year the Republicans are making an all-out effort to shake any talk of being the "depression party."

Vulnerable points in Eisenhower's armor the Democrats see:

- **Farm prices and supports**—The Administration is still flirting with "flexible" support prices instead of extension of the 90% rigids. The Democrats are confident they can beat this down.

- **Housing**—Suggestions from the Cole advisory committee that the Federal National Mortgage Assn. be abolished will get solid Democratic opposition. Instead, the Democrats will seek new money for Fanny Mae. Without it, they say, housing starts will drop disastrously.

- **Defense**—The \$5-billion cut in spending, now proposed, is too much, the Democrats say. But they figure they'll have to tread lightly in this area because the Pentagon is shifting emphasis to air power, a Democratic favorite.

- **Labor**—Taft-Hartley revision, as it is shaping up in the White House, is going to be too liberal for many Republicans. Democratic Senators figure they will "save" labor from drastic restrictions voted by the House. The upshot probably will be no changes in the law at all.

The Administration is firming up some antirecession weapons. Tax cuts beyond the Jan. 1 reductions are being pushed by Eisenhower's economic advisers against the opposition of Treasury chiefs. And economist Burns is getting the better of the debate. He'd give more allowances to corporations, better depreciation, plus some excise cuts.

Easier credit advocates also are gaining ground against the Treasury.

—•—
The military tightening up has already begun. The pulling back of two divisions from Korea, expected before spring, plus the release of low-IQ privates and the hiring of Europeans for noncombat duty on U.S. bases abroad is just the start.

Pentagon chiefs are hoping to bring home thousands of noncombat troops from Europe. That means cooks, quartermasters, mechanics, personnel and recreation specialists in addition to a large number of military men who have been acting as advisers on the staffs of European armies. The idea is to cut the number of U.S. forces in Europe to only the men who will do the fighting. Returned men will be discharged.

—•—
The CIO, anxious to increase its size for purposes of being in a better bargaining position with the AFL should merger talks begin in earnest, has sanctioned a new raiding operation. It is not poaching on the AFL, nor crossing swords with John L. Lewis. But it is encouraging its affiliates to incite breakaway movements in that group of independent unions that were expelled from the CIO for being Red dominated. First such successful enterprise is the split of the important Butte and Anaconda locals from the Mine, Mill & Smelters Workers (Ind.). They have been taken over by CIO's big steel union.

Need small bearings that can carry heavy loads?

here's how manufacturers of materials handling equipment
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Leading manufacturers of lift trucks, industrial trolleys and conveyors, cranes, hoists and other types of materials handling equipment specify Torrington Needle Bearings because of their high capacity and their compactness.

They have been *performance-proved* through years of continuous, rugged service on many types of equipment, working indoors and out.

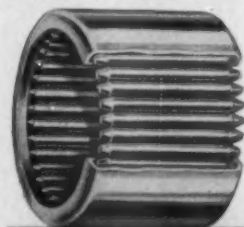
In lift trucks, for example, the high rated radial load capacity of Needle Bearings in steering knuckles, steering idler arms, transmissions and hydraulic lift cylinder crossheads has made possible increased load ratings without increase in power requirements. And their compactness permits the use of maximum material in surrounding members for added strength.

Torrington Needle Bearings have become "standard equipment" throughout industry since their introduction nearly twenty years ago.

Our Engineering Department will be glad to help you determine where the Needle Bearing can benefit your products.

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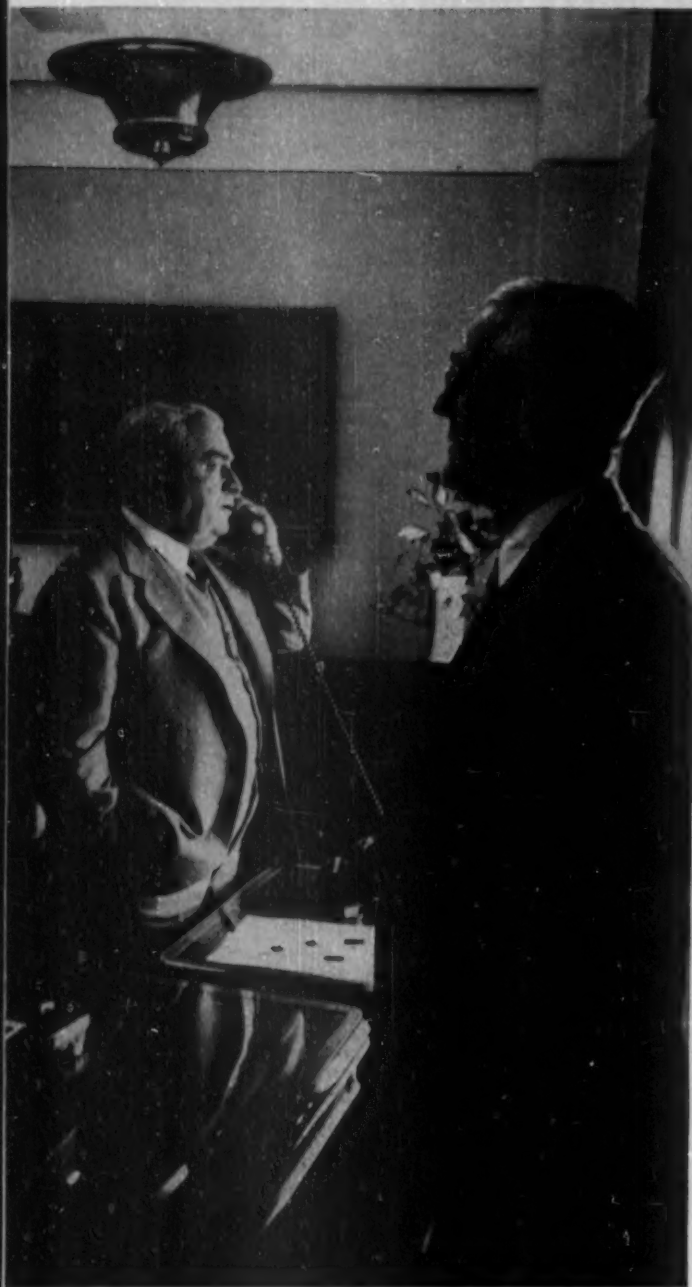
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MANAGEMENT



ABOVE HIM John Daley, general manager for organic chemicals (right), goes to men like vice-president J. Warren Kinsman for advice, not orders. But . . .

. . . to obtain approval for large new capital outlays, Daley must go to executive committee, of which Kinsman is a member. Here he's making arrangements with committee secretary, F. G. Hess.

A du Pont General Manager Runs

Business folklore notwithstanding, there's a great deal more to the management hierarchy at E. I. du Pont de Nemours & Co. than the ubiquitous du Pont family.

True, the family has been getting its

share of the headlines on the financial pages. The recently dismissed cellophane monopoly suit and the continuing antitrust suit—involving du Pont, General Motors, and U.S. Rubber—have taken care of that.

But while the elder du Ponts have been commuting along the not unfamiliar route to the federal court, a massive amount of daily business still had to be conducted in du Pont's widespread empire.



BELOW HIM Daley is boss, with powers like a corporation president's, producing and selling about \$300-million a year in tetraethyl lead, Freon, Neoprene, dyes. Here he's with his technical director, Dr. Harold Elley.

Kingdom in an Empire

The key men in this day-by-day operation are 10 general managers, all located at du Pont's Wilmington (Del.) headquarters, and each in charge of an operating department.

The dean of these general managers

is John F. Daley (cover), who has headed a department since he took over pigments in 1944. In 1948 he was shifted to organic chemicals—called orgchem inside du Pont.

Du Pont doesn't release a depart-

ment breakdown of its total sales volume (about \$1.8-billion in 1953), but a **BUSINESS WEEK** estimate would rank Daley's orgchem third, behind first-place textile fibers and second-running polychemicals. Carrying the estimate a step further, orgchem probably did better than \$300-million sales in 1953. Textiles, polychem, and orgchem together probably did \$1-billion.

If the three made up a separate company, it would rank just below Union Carbide & Carbon Corp., now the second largest chemical manufacturer in the U. S. If Jack Daley's orgchem were in business for itself, its current sales would place it ahead of such big names as Monsanto Chemical Co., Hercules Powder Co., and Mathieson Chemical Corp.

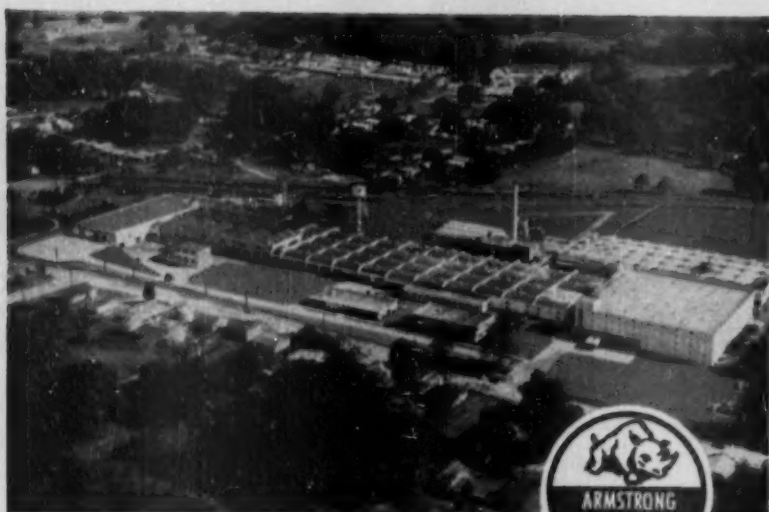
In other words, Jack Daley's orgchem is no backyard operation. It produces and sells all of du Pont's tetraethyl lead (for gasoline), Freon (the refrigerant), Neoprene (synthetic rubber), dyes, and what Daley calls "a miscellaneous bagful of antioxidants, curing agents, and other fine chemicals." To do all this, orgchem has nearly 11,000 employees working in four plants. Within a few weeks, plans for a new \$15-million Neoprene plant will be announced (the land is still being bought), and next spring another plant will be opened in Beaumont, Tex.

• **Flexible**—Jack Daley, on his own, would have a conventional management problem, but du Pont, with 10 departments like orgchem, each averaging \$180-million sales a year, has an unusual management problem. It's apparent that no one man can make all the decisions for so large a business empire. Du Pont's answer: decentralization of authority to the general managers. It's also apparent that a corporation with the propensity to expand that du Pont has cannot be bound by a rigid operating procedure. The answer: flexibility, made possible by a few broad rules, as opposed to—Roman-fashion—a rule for everything.

• **Tested**—The system has stood this test of growth. In 1939, the sales volume for the entire company was \$299-million, less than Daley's orgchem did last year. Yet, in 1939 the system of management was virtually the same as it is today, and as it was in 1921 when Irenee du Pont devised it.

• **Group Control**—Basically, it's a system designed to get the most out of its management and give them the most in return. Beginning with the 30-man board of directors, which includes the nine vice-presidents as members, the top management is a committee system with very limited individual authority, even in the hands of the president, Crawford H. Greenewalt. All of these

They're making it in MISSISSIPPI...



Armstrong Tire & Rubber Co. Natchez, Mississippi

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Established under Mississippi's BAWI law, Armstrong has expanded three times since 1939. It was one of the first industries to recognize the merits of Mississippi's wise and cooperative government and to foresee the South's bright future.

The BAWI plan under which Armstrong has prospered permits political subdivisions to vote bonds to finance the purchase of land and construction of buildings for lease to new or expanding industries.

Citizens of Natchez, actively supporting this member of their industrial family, voted \$300,000 in bonds to finance construction of the original plant. The vote of these cooperative citizens was 2,408 to 48 in favor of Armstrong.

Hundreds of other recognized industries are enjoying these same advantages in Mississippi today, and are at the same time utilizing the state's large reservoir of friendly labor, expanding markets, abundant fuel and electricity, a storehouse of raw materials, and excellent transportation.

We invite you to investigate Mississippi and its BAWI plan further. Your request for detailed information will be handled promptly and treated with confidence.

MISSISSIPPI

AGRICULTURAL AND INDUSTRIAL BOARD

State Office Building — Jackson, Mississippi

men have long experience at du Pont. They are, in a sense, the elders—present to counsel, to follow the over-all operation, to chart future courses, to decide the broadest concepts of policy, and to control the purse strings, particularly on new capital expenditure. But in du Pont's operation, none of these men acts on his own, except to offer advice.

• **Autonomy**—Just below this upper stratum of management—where there's little individual authority—the picture changes abruptly. Here are the 10 operating, or industrial, departments—like Daley's—and 15 auxiliary departments: engineering, advertising, law, and so forth. The general managers of these departments have much individual authority.

Daley gets authority in exchange for responsibility. His three multimillion-dollar plants are his babies. They're his if they make a handsome profit or win an "E" in wartime; and they're his if they become inefficient or if they burn to the ground. He hires the people who work in the plants, and he can fire them. He decides who will run the plants, too, and what kind of equipment will be used. He buys what comes in at one end, and he sells what goes out of the other end. He sets prices, and he increases or decreases production to meet demand.

This high-level authority-responsibility exchange puts Daley to a constant test. He has to produce, he has to look good on his profit and loss statement, and he has to keep moving forward rapidly on research and development, dropping products when they cool off, building up new ones to fill the gap. In return for this, du Pont pays Daley well. His total compensation is something over \$100,000 a year.

• **Reporting**—Of course, there's a limit to Daley's autonomy: The top brass likes to know what's going on in org-chem. So, a sizable piece of Jack Daley's time is spent in communicating with headquarters. This takes four forms:

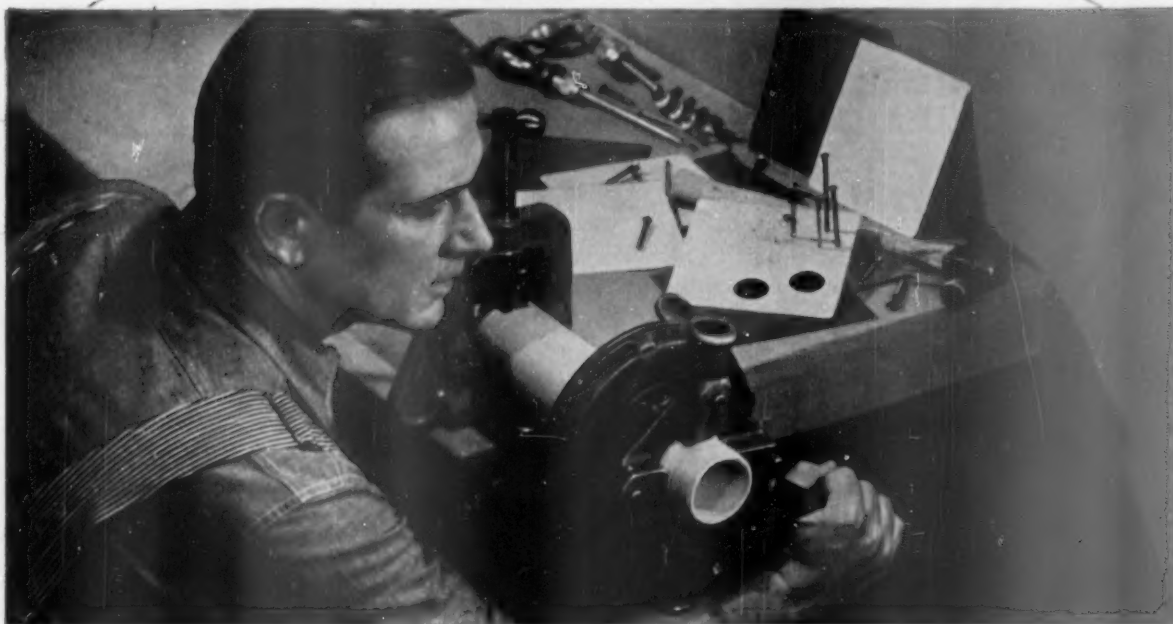
The past. Du Pont's 30-man board meets once a month. In between, it is represented by committees, the most important of which are finance and executive. The executive committee is made up of Greenwalt and the nine vice-presidents. It meets at least once a week, and once a month it considers a report from Jack Daley. Daley says this monthly report shows "whether we made money, lost money, how much, and why."

Daley may or may not be called before the committee after it has digested his report, but on the ex committee's meeting day—Wednesday—he "sticks around Wilmington just in case there's a call from upstairs."

The ex committee might call Daley

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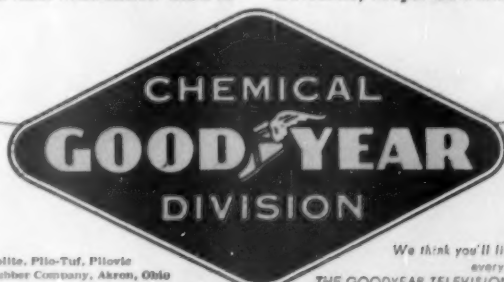


PICTURE A PLASTIC you can nail like a board, thread like a pipe or stitch like a shoe sole and you have a good idea of the more-than-plastic properties of a revolutionary resin just developed by Goodyear.

PLIO-TUF is its name. It's a new and different high styrene copolymer. You probably won't remember its composition. But you will remember that it's just about the toughest plastic ever made. You'll also remember that it

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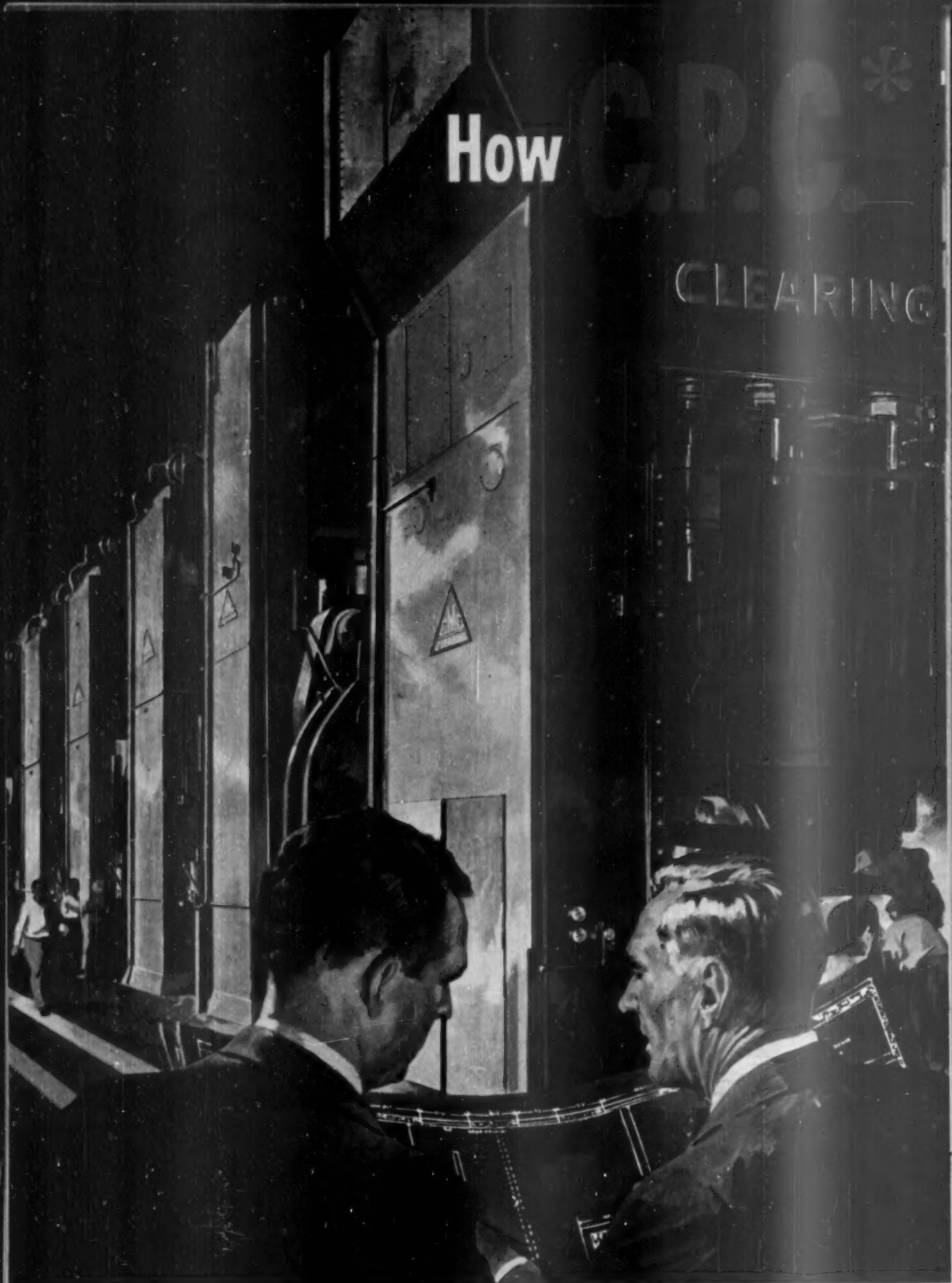
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This service is available to you without obligation. If you make large quantities of anything out of metal, you can profit from a Clearing Productivity Consultation.

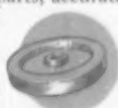
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*Clearing Productivity Consultants have years of experience in their specific fields of press metalworking. If you plan to produce deep drawn parts, for example, a C.P.C. engineer can show you how the performance of a Clearing double action press can step up production to give you more than half again the output expected from conventional equipment. The problems presented by blanking and forming operations have been dealt with by these men in literally hundreds of installations throughout the country.



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go into details of temperature and physicals too. In the relatively new field of press extrusions, Clearing consultants can help you plan to produce heavy section parts, accurate to dimension, that can eliminate or materially reduce finish machining operations.



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Johnson & Johnson	S. D. Warren Co.
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Source: Publishers Information Bureau Analysis

A MCGRAW-HILL PUBLICATION

"... capital outlays, that's where they put the brakes on ..."

DU PONT starts on p. 40

in to explain some part of the report. It might want to know, for example, why inventories at Daley's huge tetraethyl plant, across the river at Deepwater, N. J., are down 7%. Daley, who would be entirely aware that inventories are down, and why, would be ready with a plausible explanation.

The future. At du Pont, the future is more important than the past. Daley says, "I spend a good part of my time thinking about the future." And every three months his thoughts and the plans of his department go into a 12-month forecast.

When the ex committee is ready to receive Daley's forecast, it meets in du Pont's chart room instead of the regular meeting room where Daley lays open orgchem for the 10 men to see. The charts show the past and forecast the future in market potential, manpower needs, research, competition, economic trends, production, inventories, sales, and plant capacity and investment. Daley says, "Everything we do is based on a forecast, and that forecast is tied into a system of financial controls."

Money. What are these financial controls? Daley says that as a du Pont general manager he's "like a corporation president reporting to a board of directors." Plainly, he has to show the return on du Pont's investment in orgchem that the board expects to get from orgchem. The reports he sends up show the ex committee the amount of this investment and the return (BW—Oct. 18 '52, p194). But what about new capital expenditures, say the new \$15-million Neoprene plant? Of new capital outlays, Daley says, "That's where they put the brakes on you."

If Daley wants to go out and buy a new piece of equipment, say a centrifuge, he can do so on his own hook, providing it costs less than \$50,000. If it costs between \$50,000 and \$100,000, a single vice-president must approve the request. If Daley needs \$100,000 to \$300,000, the ex committee, by majority vote, must approve. If it's higher than that, the finance committee must approve as well.

Advice. Besides reporting to the executive committee, or requesting funds, Daley has another reason for going upstairs—to get advice. Greenewalt and the vice-presidents act as advisers—each covering one or several fields. For example, J. Warren Kinsman specializes in sales and advertising, C. A. Cary in purchasing and traffic,

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• **Informal**—This type of contact at du Pont is very informal. Daley will simply walk into Warren Kinsman's office and shoot a couple of questions at him about a sales problem or advertising technique. And while he's in Kinsman's office he may do a little missionary work for a project he's about to present to the ex committee.

Through several of these contacts, in offices, at lunch, in the corridors, and through forecasts, the ex committee members learn informally about a project Daley is about to present officially. At the same time, Daley learns how the committee members feel about his plan. So, by the time the official request goes in, things are fairly well set. Warren Kinsman says, "Things are rarely rejected, occasionally altered." And if a vice-president does start to throw a block in Daley's path, Daley will be ready. Kinsman says, "These men don't come in cold, they're highly competent."

• **Old Hands**—Undoubtedly one of the reasons for the success of du Pont's management system is that the top brass has worked together at du Pont for such a long time. The company doesn't bring in top management men from the outside any more than it borrows money from outside sources. This long affiliation allows the two principal pillars of the du Pont system to serve their purpose well.

First, the committee system above the general managers' level works only because the committee members are able to reach agreement, and they are able to reach agreement because they understand each other through perhaps 40 years of association.

Second, department autonomy, limited by a minimum of broad, mostly unwritten rules, is possible only because the department's own hierarchy is also made up of old du Pont hands. Jack Daley, for example, with years with du Pont behind him, doesn't have to turn to the book of executive committee resolutions to find out what the policy is on this or that. And if he did, what he would find would be so broad that his interpretation of the policy would be more important than the policy itself.

• **What It Means**—Daley says this became apparent to him when he first became a general manager nearly 10 years ago. He was considering a new project that involved dealing with an outside company. He prepared his official request for the ex committee, then sat down and tried to anticipate every possible question that might be thrown at him. Daley went before the committee, considering himself well armed, but as it was his first trip, nervous as a cat.

He was asked a single question: "Is

it fair to the other fellow, Jack?" Jack Daley went back to his office a surprised man. Now he knew what du Pont meant by autonomy.

• **Head Man**—In his own department, Daley is boss. He consults widely before he makes a decision, but if the decision is important enough to reach his desk, he makes it. Five men report directly to him. First, his assistant general manager, Dr. Samuel Lenher, a man he appointed with the approval of the ex committee. Daley and Lenher work closely together and divide up the work that comes to the top of the department. Lenher could take over the department at any time.

Daley's three operating division directors also report to him. They head sales, production, and research. Daley selected and promoted these men, but he "informed the executive committee" before doing so. The fifth man reporting to Daley heads the control division. He is comparable to a controller in a separate corporation.

• **Five Balls at a Time**—With the several thousand Ph.D.s working for du Pont, there are some at Wilmington who look to the day when all department managers will hold doctors' degrees. Jack Daley, however, isn't so sure. He says that the Ph.D.s start out with many technical advantages, but "at 35 there's a great leveling. You develop a business mind."

Then Daley tossed in another idea, which perhaps describes what his job is really like: "A lot of these Ph.D.s are the kind of fellows who like to watch one ball being thrown in the air—a general manager has got to watch five balls, all at the same time."

MANAGEMENT BRIEFS

Shifts in the brass were in abundance as 1953 ended. Paul C. Smith took over the presidency of Crowell-Collier Publishing and Clarence E. Stouch became chairman; M. J. Rathbone was elected president of Standard Oil (N. J.) as Eugene Holman moved up to chairman.

More shifts: Frank White, ex-NBC head, was made chairman, George Giese president, of McCann-Erickson Corp. (International); O. Parker McComas, Philip Morris president, became chief executive officer as well.

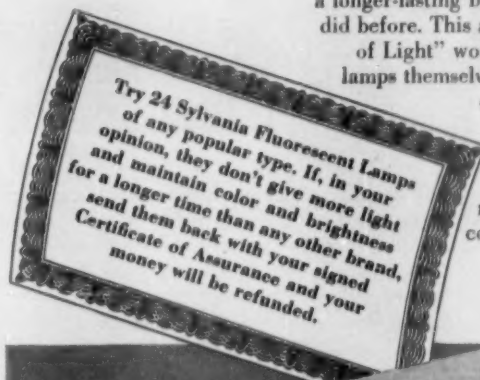
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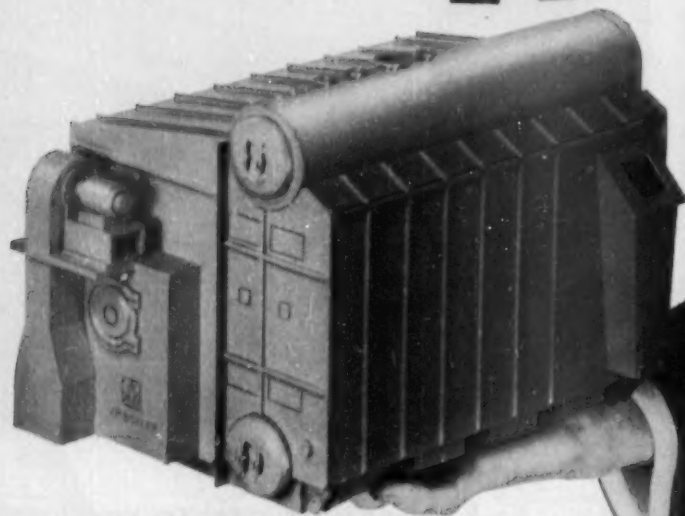
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JAN. 2, 1954



There's more than meets the eye in Eisenhower's decision to withdraw two U. S. divisions from Korea.

This move has broad military and political implications for the Far East:

- It indicates that Washington believes the fighting has ended in Korea.
- It is part of Eisenhower's policy of **disengaging** American ground forces in Asia—and a warning to Chiang that he won't have U. S. backing for any invasion of the Chinese mainland from Formosa.
- The withdrawal is only a starter, probably will be followed in a year or two by a complete **disengagement** in Korea, except for U. S. air forces.
- It means that the U. S. has given up any idea of pushing for Korean unity. Washington has accepted the fact that the Chinese Reds are solidly entrenched in North Korea, have made that area Peking's first satellite.

Given these facts, you can see that the proposed Korean political conference no longer has much significance.

A cold peace already has been established in Korea; it can be maintained without any peace conference.

With unification not in the cards, there wouldn't be much to talk about, anyway—assuming, of course, that the exchange of prisoners is completed in January.

Washington isn't worried by recent Communist military successes in Indo-China.

True, Ho-Chi-Minh's forces have driven to the Thailand border and, temporarily at least, cut Indo-China in half.

But in this guerilla-type war, with few fixed positions, this sort of thing doesn't necessarily count much. Certainly there's no sign that Ho's drive is the beginning of a Peking offensive against Southeast Asia.

Indeed, it looks more like a move that's intended to improve Ho's bargaining position in case he goes into truce talks with the French.

Meanwhile, the slicing up has increased popular pressure in France for a negotiated settlement.

Prime Minister Churchill has established important contacts with the Kremlin. He is using these to smooth the way for the Big Four meeting in Berlin. (This is now scheduled for Jan. 25.)

Churchill got his diplomatic spadework under way a month ago when the British ambassador to Moscow had a session with Malenkov.

At this meeting the Soviet premier stressed the possibility of greatly increased Anglo-Russia trade. Also, he suggested that the British could take a more independent line in world affairs, cut loose from Uncle Sam to some extent.

Last week Churchill spent three hours with Malik, the Soviet ambassador to London. (Malik left this week to report to the Kremlin.)

Needless to say, Churchill ignored Malenkov's advice. Instead he tried to impress these things on Malik:

- Eisenhower's plan for breaking the atomic deadlock is completely sincere.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JAN. 2, 1954

- The West is ready to join Moscow in a European security pact that would guarantee the borders of the U.S.S.R.

- Relations between the West and Red China can be put on a normal basis once Peking proves that it has given up its aggressive aims.

- The Berlin conference might produce unexpected results if Moscow really talks business and drops its usual propaganda game.

Churchill, of course, is keeping Washington posted on these Anglo-Soviet exchanges.

Still, it's a purely personal initiative on his part—one that Washington isn't too keen about.

Apparently Churchill is determined to play a leading role in any East-West talks. He refuses to be put off by the fact that the basic policy decisions must be made here in the U. S., where the power lies.

—•—

The finance ministers of the Commonwealth nations meet next week in Sydney, Australia. It's their annual discussion of sterling area policy for the new year.

Their various experts and economists seem pretty well agreed on the major trends. The ministers will be told:

- No steep U. S. recession is expected for 1954.

- The balance of payments of the entire sterling area with the rest of the world is likely to improve—slowly. At any rate, it's not likely to deteriorate.

- Britain now can—and should—invest more capital in Commonwealth development.

Chancellor of the Exchequer Richard Butler, en route to Sydney, says the agenda will cover ways of expanding trade, increasing food supplies for Britain, pushing resource development, maintaining price stability for the key sterling area raw materials—like wool, rubber, tin.

As for sterling convertibility, the ministers aren't figuring on any further progress now. The official British view is that action would be premature until the results of Washington's current reexamination of U. S. foreign economic policy are known.

—•—

It's been a big year for British automakers—especially in their own home markets. Britons, more prosperous than at any time since the war, bought a record 280,000 cars during 1953.

And the baby car boom continues unabated (BW—Nov. 7'53, p158). Harry Ferguson, the tractor maker now allied with Massey-Harris, Ltd., will enter the market with a tiny, four-seater sedan selling for well under \$1,000—including the British purchase tax.

—•—

Britain's private cotton futures market will reopen in Liverpool—after 14 years of government control. It's the last important raw material trade to pass from state to private hands.

The date is May 18. Cotton merchants are already drafting new contracts, which are likely to include Brazilian, as well as U. S. and Egyptian, cotton.



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BUSINESS ABROAD



← Rene Coty starts a seven-year term as France's second postwar president. He inherits baffling foreign and domestic problems.

- A change of cabinet goes along with the change of president. That's another poser.
- The National Assembly is fragmented, finds it hard to agree on a cabinet or on national policies.
- But the turning of a new leaf may lead eventually to cure of basic ills. It's . . .

A New Chance for France

On Jan. 17, France's second postwar president, 71-year old Rene Coty, starts a seven-year term that is sure to bring profound changes in France. For the French nation is entering a period that may be as revolutionary as any years in France since 1870—a period that will decide not only France's fate but the future shape of Europe and of U.S. policy in that continent.

At stake for France today are the foundations of its national life and of its international position. Above all, the nation must choose between its historic nationalism and its membership as a senior partner in a united Europe.

• **Hard Choice**—This is the choice France will be making when it decides whether or not to ratify the European Defense Community. EDC is based on a treaty that would limit the sovereignty of member nations and would lead directly to the integration of their political, financial, economic, and military policies.

Ratification thus means yielding to international bodies control over the most sensitive sectors of national life. But refusal to ratify, as U. S. Secretary of State John Foster Dulles recently warned the French, means the loss of the American support on which France

has been leaning heavily since 1945.

• **Anything Is Possible**—Other big decisions, almost as imperative, face France, too. France's status as a world power depends on how it handles the problems of Indo-China and North Africa. At home, political, economic, and financial problems demand decisions that involve a clean and painful break with tradition.

In a situation like this, almost anything is possible. At home, there could be civil strife; abroad, there could be a break with the U. S. and a deal with Russia. These aren't likely to happen. But neither is a quick decision on EDC.

I. The Basic Weakness

The French crisis is compounded of at least a dozen problems, some of them going back to the French Revolution. But as it exists today, the crisis boils down to this:

France must make fundamental decisions on both foreign and domestic policy at a time when its political institutions have virtually broken down.

The truth is that French traditions have proved inadequate to the needs of a modern nation. The fourth French Republic, which was created in 1946 on the model of the prewar third republic,

has produced more political instability, more social unrest, and a weaker currency than is to be found anywhere else in Western Europe. No French government has been able to tackle these and other national problems with any vigor.

• **Splintered Power**—France's postwar governments have simply been unable to govern.

Under the French Constitution, all power rests in the National Assembly of 627 deputies, and these deputies are split into 12 parties with sharply differing political, economic, and religious views. This division has made it impossible to get more than a bare majority behind any program, any difficult decision, or any political leader.

But it's not merely the existence of 12 parties in the National Assembly that frustrates effective government in France. Just as important is the fact that two extremist parties—the Communists on the left and the Gaullists on the right—each control about one-sixth of the seats in the Assembly.

To form a government of the center, therefore, it's necessary to get support from three-quarters of the remaining deputies. If the Socialists are included, it's just about impossible to get backing on economic matters from enough con-

servatives to make up a majority. If the Socialists aren't included, it's equally hard to get a majority on foreign policy issues.

II. The Weak Institution

What you have in France is a divided nation whose political system magnifies the divisions instead of resolving them. On top of that, the system provides that members of the Assembly can overthrow governments at will, without being forced to go back to the voters and defend their actions. This means that no executive can stay in office long enough to tackle any big problems.

The presidential election itself was a good example of the breakdown of French political institutions. Only after seven days and 13 ballots at Versailles was the Congress of Parliament able to choose Coty as president of the Republic, an office that is supposed to be a symbol of unity and continuity. Bitter and heated wrangling marked the whole business until the final ballot on Dec. 23. The delegates barely got home for Christmas—Coty himself remarked that it was Pere Noel who had elected him.

III. Next Moves

The political battle may be even more bitter when Coty takes office on Jan. 17. On that day the Laniel government must offer its resignation, and Coty must find a new government that's able to obtain a vote of confidence from the Assembly.

Chances are, the new president will first ask Laniel to remain in office. With the Big Four meeting in Berlin only a week away (it's scheduled for Jan. 25), the Assembly might accept Laniel as a caretaker chief of state. But this is far from certain. Laniel may be forced to withdraw, even though this would mean a prolonged crisis that might force postponement of the Berlin meeting.

Whether or not Laniel survives Jan. 17, his government doesn't have much life expectancy. It could soon fall victim to Assembly intrigues. Then Coty's job would be to find a new leader powerful enough to force a decision on EDC. It's nearly two years since the EDC treaty was signed and everyone in France knows that a decision can't be delayed much longer.

• **Coalition Needed**—The EDC issue will certainly be central in forming the next French government. Almost equally certain is this: It will take a reshuffle of the political deck to put together a government that can force the treaty to an Assembly vote.

There's a chance that such a force

could be brought to bear by a temporary alliance of the right-center parties and the Socialists. Or it may take a real shift to the left through a coalition built around the Radical Socialists, the Popular Republicans, and the Socialists. Such a government would probably be led by Mendes France, the Radical Socialist who made such a big political splash last spring before Laniel became premier.

If Mendes France comes to power, you can expect:

- A determined effort to get a truce in Indo-China, even at cost of partition of that country.
- A French demand for some changes in the EDC treaty.
- A "New Dealish" economy policy at home.

If France finally votes for EDC, it will be voting for more than the creation of a joint European army. Most French political leaders are fully aware of this fact. As men like Foreign Minister Georges Bidault, ex-Foreign Minister Robert Schuman, and elder statesman Paul Reynaud look at it, EDC is a step toward European unity—and, indirectly but inevitably, the most promising way to achieve essential reforms in French institutions.

There's solid evidence to back this kind of thinking. In the short time the Schuman coal-steel pool has been in operation, it has produced impressive results. It is quietly bringing about a thorough reorganization of the French coal and steel industries that places them on a far sounder economic basis (BW—Dec. 5 '53, p144). Without the competition introduced by the Schuman Plan's common market, it might have taken many years and bitter political fights to produce the same results.

• **Overhaul of Politics**—There's also a chance that ratification of EDC would shake up the constitutional lawyers. For years, nearly all French political leaders have been talking political reform but getting nowhere with it. But now the French people are becoming as aware as these politicians that political changes must come, that the National Assembly must whittle down its own powers to strengthen the executive branch of government.

However, the possibility of violent changes can't be ignored. If there should be a succession of caretaker governments, none of them able to act decisively, de Gaulle might well win popular support again and take power by constitutional means or otherwise. This would put an end to the Fourth Republic—after that, anything could happen to France.

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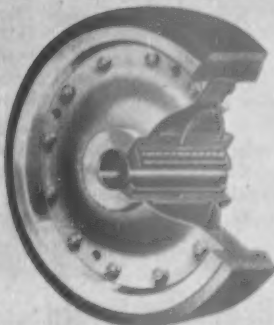
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More Red Gold in England

New shipments help cover sterling buying . . . Vargas scares power companies . . . Britain's plutonium plant . . . Costa Rica wants to buy United Fruit.

This week and last the Bank of England received two planeloads of gold from the Narodny (National) Bank of Moscow. The gold, worth about \$74-million, was the first to change hands directly between the two central banks since the war. An earlier \$19-million shipment from Moscow in November was consigned to London gold dealers (BW-Dec. 5 '53, p150), although it may have wound up in the gold reserves at the Bank of England.

The latest shipments, like the earlier, appear to be part of the current Soviet efforts to cover a shortage of sterling. Moscow needs this for payments due not only in Britain but in the sterling area for recent raw material purchases such as wool and rubber. A year ago, the Soviets shipped grain to balance their imports. By the end of 1953, they had sent only half the grain they had promised for the year.

It's possible that Soviets will be shipping even more gold in 1954 to meet future payments for British machinery. Last week a group of British textile machinery manufacturers accepted an invitation from the Soviet Trade Mission in London to visit Moscow this month for contract negotiations. They have already discussed details with Soviet technical officials and reached preliminary sales agreements totaling \$30-million (BW-Dec. 26 '53, p68).

Brazilian Fright

President Getulio Vargas last week threw a scare into foreign utility stockholders with what sounded to them like an expropriation threat. When the smoke had cleared, however, the threat looked more like a political stunt or just a slip of the tongue than a clear and present danger.

One of Vargas' pet projects is the creation of a national electric power authority—Electrobras—to carry through a 10-year scheme for developing 6-million-kilowatt capacity. Experts estimate the cost at close to \$6-billion, a sum Brazil would find hard to raise at home or abroad. So far Vargas hasn't obtained the Brazilian Senate's O.K. for his scheme.

Last week in off-the-cuff remarks he said that foreign companies were taking too much wealth out of Brazil. He added ominously—or so it sounded from

afar—that Brazil would either create the necessary funds for Electrobras or expropriate the foreign utilities. The U.S.-owned American & Foreign Power Co. and the Brazilian Traction, Light & Power Co., which is owned by American, Canadian, and British interests, feared the trail led to them. Brazil has been in economic difficulties because electric power output hasn't kept pace with the country's rapid industrialization—in spite of efforts like American & Foreign Power's current \$120-million, five-year expansion program.

At week's end, however, the dust stirred up by Vargas was settling. The Brazilian press, except for the Communists, had taken Vargas to task. A common charge was that Vargas' threat was a political maneuver to blackmail the Senate into approving his electrification scheme. There was even evidence that Vargas himself regretted his words.

Still, the big power companies in Brazil, according to some observers, would do well to give their expansion programs another look for possible speedup.



Atomic Towers

Britain's plutonium production center at Sellafield, Cumberland, has stood for its first official portrait. The picture of the plant (above), where work was begun in 1947, was released last week

by the Ministry of Supply, which operates Britain's atomic development program.

The plant uses two towering uranium piles—each over 400-ft. high—to produce plutonium. As such, Sellafield is the British counterpart of the Atomic Energy Commission's Hanford (Wash.) plant. U.S. observers are sure that Sellafield, like Hanford, is producing plutonium almost exclusively for nuclear weapons.

Britain exploded its first atomic bomb in October, 1952, on Australia's Woomera range. Last year saw several more British test shots, also in Australia.

Fruit Company for Sale?

Since his inauguration last fall as president of Costa Rica, Jose Figueres has sounded to some like a moderate New Dealer, to others like a wild-eyed visionary. Foreign investors, especially the giant United Fruit Co., have been anxious about his plans, only partly reassured by Figueres' promises of an "environment of safety and honesty" for outside capital. They knew—or strongly suspected—that a new deal might be on the way.

• **Finger on Bananas**—Last week, Figueres came up with a scheme for the reorganization, essentially the nationalization, of Costa Rica's banana business. Fruit company executives winced. Figueres wants to purchase the entire fruit company installation in Costa Rica—an investment in plantations, hospitals, housing, and transport estimated at approximately \$60-million—and resell it to private Costa Rican ownership.

Figueres isn't opposed to continued foreign help and investment in Costa Rica. He expressly states that he won't force a sale or expropriate United Fruit. But he has made it plain that he wants more of Costa Rica for the Costa Ricans—and United Fruit's division there, Cia. Bananera, is far and away the largest economic entity in the country.

• **Dream Stuff?**—While the Figueres plan is only tentative, fruit company people are inclined to label it purely dream stuff. Purchasing the company's 122,000 acres of banana, cacao, hemp, oil palm lands, to say nothing of service facilities, would be a tremendous undertaking for tiny Costa Rica, even as a long-term project.

United Fruit officials are ready to cooperate with Figueres, and might be willing to modify the terms of their contracts with the Costa Rican government. But outsiders doubt that the company will yield to pressure to sell off a major part of its Costa Rican investment, one of the largest and most

profitable in the entire United Fruit empire.

In Guatemala, a Communist-tinged government is close to expropriating the fruit company right out of existence; there are breaths of rising economic nationalism in other countries. A precedent in Costa Rica might be picked up and magnified in extremist demands against the company throughout the Caribbean area where it does business.

BUSINESS ABROAD BRIEFS

The Soviets aren't neglecting the Far East in their current free world shopping spree (BW-Dec.26'53,p68). A Russian commercial agent is in Tokyo dickering for a barter deal with Japanese shipyards—Soviet lumber in return for \$30-million worth of repairs and construction of freighters.

U.S. investment abroad earned \$2.7-billion in 1952, topping 1951 and nearly doubling the average for earlier postwar years, according to the Commerce Dept. But more of these earnings were plowed back, less returned to the U.S. Tight exchange controls were reflected in remittance of only \$1.4-billion, the first decline of the postwar period.

Crop failure in Japan has now been added to inflationary woes and an increasing trade deficit (BW-Dec.5'53,p138). Last year the rice crop was off 17% from 1952 and was the smallest harvest in 19 years. Government officials say one result will be a Japanese outlay of \$640-million for food imports in 1954; that's 60% of last year's total imports.

Peruvian roundup: Republic Steel Corp. has concluded a deal to develop iron deposits near the Acari River in southern Peru. It's the second major Peruvian iron ore development involving U.S. capital. . . . The International Petroleum Co., a Standard Oil (N.J.) subsidiary, is building a \$4-million refinery at Talara with a daily capacity of 45,000 bbl. . . . Lima will be the site of a new Sears, Roebuck & Co. store. Sears will break ground early this year with completion scheduled for mid-1955. Peru will be the sixth Latin American country in which Sears has stores.

The discovery of oil in Australia (BW-Dec.12'53,p155) has sparked plans for building up a local petrochemical industry. Australia's first company in the field is the newly created Petroleum & Chemical Corp., which will get machinery and technical assistance from Gas Machinery Co., Cleveland.



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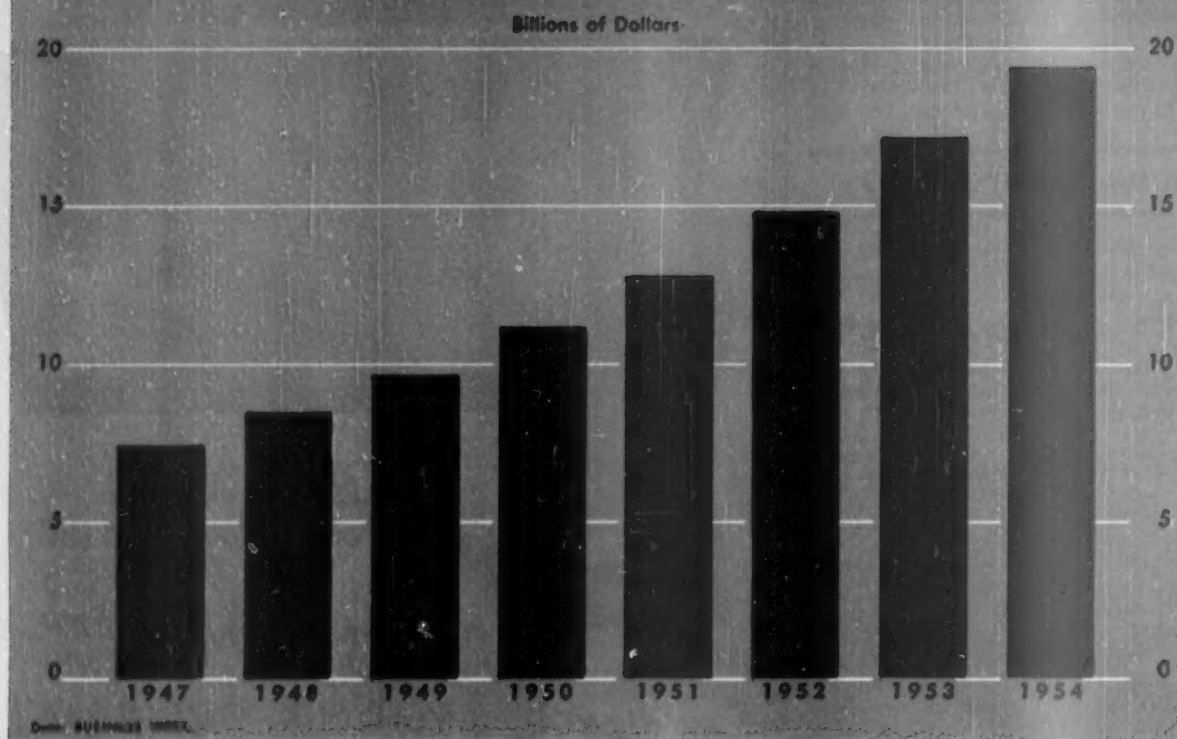
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INDUSTRIES' PENSION FUNDS: 8-Years of Growth



They're Becoming a Giant in the Market

The steadily mounting bar lines in the chart above give a graphic picture of the continuing growth of the pension funds. Already, the funds are one of the biggest group buyers of securities.

The latest estimate by the Federal Reserve Bank of New York shows the funds growing even faster than had been expected earlier. The bank now finds that total assets of the pension funds are around \$17-billion, and that they are growing at a rate of \$24-billion a year.

Just 10 months ago, the general belief was that total assets were only around \$10-billion.

• **Pressure**—As money keeps pouring into the pension funds, it puts a constant pressure on the fund managers—just as incoming premiums keep the insurance people moving fast. The money has to be invested quickly, for the next day's mail will bring another batch, pressing on the earlier arrivals.

One school of Wall Street thought holds that the stream of pension investment often serves to irrigate the market in times of drought. Another school denies it, arguing that since the pensions

stick to the better grade stocks and bonds, they merely push the blue chips higher, without affecting the other listless sectors of the market.

The flow of money that was to have such a debated effect saw its first trickle in 1875 when the American Express Co. set up the pioneer private pension plan for employees. At the time not many people seemed to grasp the scope and meaning of the idea, growth for years was slow.

By 1930, there were still only 720 plans in the entire U.S., covering 2.4-million workers. Then, despite the Depression—or perhaps because of it—the pensions really went to town. Within 10 years the number of plans had gone up to 2,000, covering 4-million people. By V-J Day, 7,400 plans covered 5.5-million people; at the end of 1951, 14,000 plans covered 9.5-million employees.

• **And Now**—Today, there are something like 15,500 plans; between 10-million and 11-million workers and corporate officials are covered.

Two factors helped to speed this growth:

• The setting up of federal Social Security in 1935 created a demand for private funds to supplement the income of retired people.

• The steep rise in federal corporation taxes made companies look with a warmer eye on tax-free contributions to pension funds, which could be made with little effect on after-tax income.

• **The Assets**—From the point of view of Wall Street, the growth of pension fund assets has been just as impressive as the growth in the number of funds. As the chart shows, assets were over \$7.3-billion in 1947 and have climbed steadily to the current \$17-billion, with \$194-billion in sight for the end of this year.

By and large, these enormous funds are handled either by life insurance companies or by banks and trust companies acting as fiduciaries. The Federal Reserve estimates the insurance companies' share at 40% to 45%, with the fiduciaries taking care of the rest.

So far as the part handled by the life companies is concerned, the funds are simply pooled in with the rest of the

company's investible money. Normally, this means they will be invested in corporate bonds, governments, and mortgages on residential and commercial real estate (BW-Dec.26'53,p58).

• **Trustees**—The banks and trust companies have pursued a different course. In their pension fund investments they have generally shunned real estate, and shown considerable partiality for common stocks.

Portfolios, of course, vary from trust to trust. Still, the Federal Reserve figures that the typical fund handled by a fiduciary will have about 25% in common stocks, 5% in preferreds, 15% or less in governments, and the remaining 55% in the better grade of corporate bonds. In some of the newer funds, the percentage of common stocks will run well over 25%.

Generally speaking, the holdings of governments have been declining for some years, ever since they lost their wartime popularity as a hedge against an uncertain future. What's more, the decline is likely to continue, since the steady inflow of new dollars has slaked the trustees' thirst for liquidity.

• **Stocks**—In the field of stocks, a new study by Commerce Clearing House gives a clue to what the funds are buying. In the group of funds examined, CCH found utilities the prime favorites, representing 20% of all common holdings, and 27% of preferreds.

Among the commons, bank shares took second place with 11%, followed by chemicals with 9%.

For the preferreds, electrical equipment makers held second place with 9%, trailed by steel (8%), chemicals (7%), and automobiles (5%).

Conservative investment policies were reflected in the 3.41% average return found by the CCH survey. Most individual trusts had yields in a range from 2.5% to 4%.

The lowest yield of the lot was 2.28%—a portfolio made up entirely of government bonds. The top yield of 7% represented the fund with the highest percentage of common stocks.

The significance of these extremes is not lost on most funds; more and more of them are looking for ways to crawl out of their wartime lairs in governments.

• **Mortgages**—Recently, the Federal Reserve says, banks and trust companies have been showing their first interest in big mortgage loans on income-producing real estate. They are eying sale-and-leaseback deals on large office buildings, a field that has been pretty much preempted up to now by the life companies.

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taking a bigger part in the buying of corporate bonds direct from the debtor company. This private placement, already popular with the life companies, serves two purposes:

- It provides the borrower with needed money, without his having to wait for the delays of a public sale.
- It generally gives the lender a higher rate of return than he would get from a similar issue handled by public sale.

Any shifts in the investment policies of the pension funds are of basic import to the market generally. The funds' \$17-billion assets, if invested entirely in stocks, would make up nearly 15% of the \$117-billion total value of stocks listed on the Big Board. For comparison, the assets of mutual savings banks are around \$27-billion.

• **Further Growth**—The experts are somewhat divided on how much more the pension funds will grow, though all admit that the peak has not been reached.

The recent sensational increase in assets is laid to the large number of new funds being started. New funds require extra heavy payments at the start, to balance past credits of long-service employees. Another factor that tends to balloon the assets in new funds is that in the early years pension payments are usually small. Later on, as more pensioners become eligible, the assets level off.

As of now, most of the larger companies have pension plans set up. But there are hundreds of small and medium-sized companies that will probably join up sooner or later. On top of that, any continuing increase in the cost of living will bring demands for bigger pensions, so that the pension-Social Security package will provide adequate or even comfortable years of retirement for the worker.

There has been growing thought recently as to what is the best retirement age. Quitting work at 60 may be best for one man, 65 for another, and 75 for still another. By raising the current arbitrary retirement age of 65 to 68 or 70, benefits could be made substantially larger without increasing company outlay.

According to some studies, pension payments of \$100 a month starting at 65 could be increased to \$108 if retirement began at 66 or \$130 if begun at 68, with very little change in cost.

You'll hear more along these lines as time goes on. Many feel retirement of able workers at an arbitrary 65 is uneconomic. Many men, active and robust at 65, agree. At latest poll, however, the bulk still favor 65.

And the odds weigh heavily in favor of larger and larger private company outlays for pension benefits as time goes on.

Aluminum Recruit

Kennecott Copper follows Anaconda into the trade by "investing" a reported \$18-million in Kaiser.

The rocketing aluminum industry has a new recruit drawn from the copper trade. Kennecott Copper Corp., biggest U.S. producer in its field, has followed the lead of runner-up Anaconda Copper Mining Co. by moving into aluminum (BW-Dec.6'53,p36).

Kennecott, though, is not going the whole hog as a primary producer, as Anaconda did (BW-Nov.10'53,p20). Its first step is merely an "investment" in the aluminum business.

Last week, Kaiser Aluminum & Chemical Corp.—third largest U.S. producer of light metals—announced a deal by which Kennecott would become one of its big stockholders. As outlined by the top dog in the Kaiser industrial empire, the deal looks like this:

• Kennecott will buy "for investment" \$164-million par value of a new series of Kaiser Aluminum convertible preferred. This series will carry a 5½% dividend, compared with the 5% on the earlier issued preferred. For the next 20 years Kennecott has an option to convert its \$50-par shares into Kaiser Aluminum common, on a \$30 per share basis. That means 1½ shares of common for each share of preferred.

• Simultaneously, Kennecott will also buy 100,000 shares of Kaiser Aluminum. None of the purchase price will go to KA; the common shares will be bought directly from the present owners, a group of KA founders. These companies include Henry J. Kaiser Co., General Construction Co., J. F. Shea Co., and Pacific Bridge Co., each of which will contribute to the 100,000-share pool in proportion to its KA holdings.

• **How Much?**—There has been no announcement of how much money Kennecott will hand over for the two blocks of stock. For a clue, Kaiser Aluminum common was selling at around \$27.50 when the Kennecott deal was announced. The already outstanding 5% preferred was going for around \$44. From that, Wall Streeters figure that \$18-million is a good guess on the size of the Kennecott investment.

By the deal, Kennecott swallows up the last of the 700,000 preferred shares that Kaiser Aluminum is now authorized to have outstanding. Thus the copper giant will hold 32.1% of KA's senior equity issue. But this part of the deal will give Kennecott no immediate voting rights. The preferred stocks gets a voice only after six quar-

terly dividend payments are in arrears. Even then, the class is merely entitled to elect two of the company's nine directors.

Its 100,000 shares of common will give Kennecott a rather small voice in stock voting. Recently, Kaiser Aluminum had nearly 3.8-million common shares outstanding. It is believed—without exact confirmation—that the founders still hold at least two-thirds of them. Last summer, Henry J. Kaiser Co. alone had close to a 50% interest.

• **Construction**—Kaiser Aluminum says that the Kennecott deal winds up its equity financing for the \$230-million construction program that it launched in 1951. Major expansion projects that are already completed, KA says, are: the development of bauxite reserves in Jamaica, B. W. I.; expansion of the Baton Rouge alumina plant and various reduction facilities in the Northwest; and the building of an aluminum reduction plant near New Orleans. The whole program will be wound up next year with the installation of additional facilities at New Orleans.

Big Board Rules Out Three Fringe Holidays

The New York Stock Exchange will have three additional trading days each year from now on.

The Big Board has abolished the observance of holidays on Lincoln's Birthday, Columbus Day, and Armistice Day. These three days are considered by the Exchange governors to be "fringe" holidays, because their observance is not nationwide.

The Exchange will continue to close as usual on eight regularly scheduled holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Election Day, Thanksgiving, and Christmas. The Exchange governors are also expected to continue the custom—followed every year since 1900 except for 1906 and 1907—of voting to close Good Friday.

• **Overhead**—Wall Street traders say the decision to remain open on the three fringe holidays is a concession to Exchange members who point out that leased wire systems, rent, and other overhead items of brokerage houses have to be paid for, whether there is trading or not. These member firms contend that the more days the Exchange is open, the more dollars roll in.

Banks will be closed on the three holidays the Exchange is open, but officials say this will create no administrative problems. For a period before the Exchange adopted the five-day week, New York banks were shut on Saturdays while the Exchange conducted its business as usual.

FINANCE BRIEFS

Underwriters closed 1953 in pretty fair shape. Unsold remnants of recent corporate bond offerings totaled only \$20-million as Christmas Week opened. However, undistributed bits of earlier rail equipment offerings added up to around \$28-million, their highest level since last June.

1.70% was the interest cost the Treasury incurred in its Christmas Week 91-day bill offering compared with 1.60% the previous week. That's the fifth straight week the bill rate has risen, but borrowing costs are still far under the 2.41%—a 20-year high—the Treasury had to pay on bills in June.

Slumping rail traffic (BW—Dec. 26 '53, p72) has forced greater-than-seasonal furloughing of employees. Virginian Ry. has laid off 500 workers for the holidays. New York Central another 600. Norfolk & Western has closed its Roanoke, (Va.) shops, which employ 2,275, for the holidays and furloughed many maintenance-of-way workers.

Allen B. Du Mont Laboratories, Inc., finished up 1953 without paying a dividend. The reason: Color TV makes "additional working capital . . . imperative." The company, which usually only pays one dividend yearly, paid 25¢ a share in 1952.

Illinois Central has started the borrowing needed to finance its call for retirement on Feb. 1 of \$34.7-million 4½s, 1966 (BW—Dec. 5 '53, p132). It sold \$15-million new 30-year consolidated mortgage 3½s to underwriters last week at about 99.3% of par—an interest cost to the road of 3.79%. They were subsequently reoffered publicly at par.

Corporate crystal ball readings: Pennsylvania RR's business volume this year, guesses David C. Bevan, financial vice-president, may drop 15% under 1953 levels "though that may be a little on the pessimistic side." . . . Chairman Melvin H. Baker thinks National Gypsum Co.'s sales may drop off 4% this year. However, net profits should rise above 1953 levels, he says, due to the absence of the excess-profits tax and expected increases in operating efficiency.

F. W. Woolworth Co. has just borrowed another \$25-million from Equitable Life Assurance Society on 3½% notes due serially from 1958 to 1973. This transaction completes a \$35-million loan agreement the company signed last spring to finance its current improvement and expansion program.



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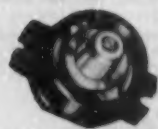


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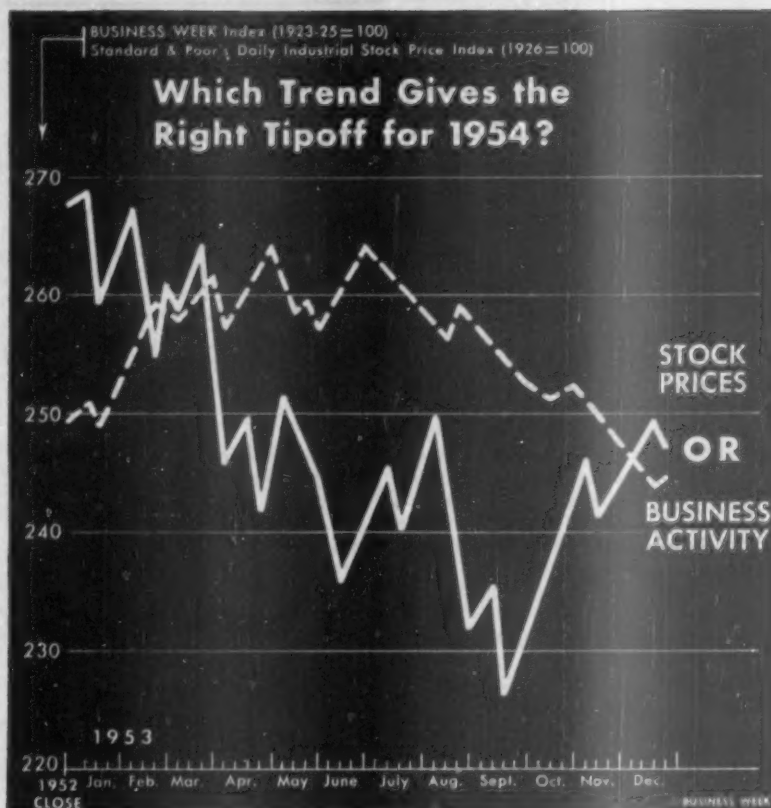
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THE MARKETS



Prophetic Wall Street

The stock market's reputation as a business forecaster is in the balance again.

In the first half of 1953, stock prices stuck stubbornly to their downward course (chart, above), although business activity was pushing to new ground. That raises two questions:

- Did the sagging of the market in the first half foreshadow the business slide that took place in the second half?
- If it did, does that mean that the market rise of the past four months is a tipoff that business in 1954 will be much rosier than a lot of people have been predicting?

As a matter of fact, sentiment among businessmen seems to have been rallying lately as convincingly as the market averages (BW—Dec. 19'53, p25). That psychological perking up, in itself, could help make things better in 1954.

- **Oops, Sorry**—The market, though, has some black marks on its prophecy record in the past few years. For instance, prices broke in 1946 on the eve of the greatest business boom in U.S. history.

Plenty of people in Wall Street think

right now that the market is riding for another prophetic fall. They believe that the present stock rally is a false one, as so many have been in the past. Prime examples of earlier false rallies came in 1929 and 1937, after both those bull markets had "officially" ended (BW—Oct. 31'53, p160).

Whether you are a pessimist or an optimist, you can find some fine arguments in the classic curves drawn by both the stock and business activity charts in 1953. The debate, though, produces nothing new so far as the Street's pros are concerned. These wise gentry are lined up as the same old bulls and bears. Some of them are sadder; possibly some are wiser. But the sure thing is that none of their arguments is any fresher.

- **Competition**—On one single aspect of the outlook, bull and bear seem to be agreed: Competition in 1954 is likely to be more rugged than business generally has seen in many a day. This competition could easily mean a further lowering of profit margins, with all that means of trouble for the inefficient — or the not very efficient — producer.

The trouble might even hit those happy companies that expect their earnings to be boosted by the coming end of the

excess-profits tax. A narrowing of profit margins could easily wipe out the anticipated savings.

Commodities: Calm After the Storm

If you follow commodities by glancing at the wholesale price index compiled by the Bureau of Labor Statistics, 1953 looked like a quiet year. The index, made up of prices of over 900 commodities, began and closed 1953 around 110 (1947-49=100). At no time during the 12 months did it advance or retreat as much as a full point from the 110 level.

Beneath the slow-moving index, however, many individual staples were in a state of turmoil, with prices swinging sharply upward or downward (table, below).

Among the nonferrous metals, zinc finished the year with a gain of 28%, and lead with 9.3%. Copper, on the other hand, was down 18.2% and tin 28.8%. The zinc and lead advances represented recovery from depressed levels reached on a long slide from Korean war highs; the copper and tin declines reflected oversupplies in relation to demand.

The sharp drop in steel scrap points up the fact that forward buying has been slowed, even though producers insist that 1954 steel production will continue high.

The heavy slaughter of cattle during 1953 accounts for the 21.9% drop in the price of steers, while the 31.5% advance for hogs and near doubling of the price of lard are the consequences of a smaller hog run to market.

Tallow continued its postwar price pyrotechnics. In November, 1948, this staple—an important soap fat—was selling at 14½¢ lb. Five months later, reflecting the development of synthetic detergents, it was down to 4.6¢. Until the Korean war came along in June, 1950, it sold in a 5¢ to 6¢ range. Then it skyrocketed to a high of 18¢ in February, 1951, as war production threatened to trim detergent availability. By April, 1952, the threat had eased, and tallow was back to 4.6¢. In June of this year it was as low as 3½¢. Now it is commanding 5¢-6¢, the price prevailing just before Korea.

Coffee and cocoa scored advances on the year that reflected smaller crop yields.

Rubber lost nearly one-third of its price in 1953. The drop reflected the growing competition of synthetic, now that the end of the Korean war has lessened the military's rubber needs.

	Pre-Korea	Korea High	Start of 1953	End of 1953	% Change During 1953
Burlap (yd.)	\$0.164	\$0.34	\$0.126	\$0.126	0.0
Butter (lb.)	.599	.85	.669	.665	- 0.6
Cocoa (lb.)	.325	.444	.328	.468	+42.7
Coffee (lb.)	.485	.60	.535	.612	+14.4
Copper (lb.)	.225	.32	.30	.24½	-18.3
Corn (bu.)	1.51	1.98½	1.58½	1.56½	- 1.5
Cotton (lb.)	.338	.458	.326	.326	0.0
Hides (lb.)	.258	.435	.18	.152	-15.6
Hogs (cwt.)	20.75	24.50	18.50	24.32½	+31.5
Lard (lb.)	.109	.20	.082	.160	+95.1
Lead (lb.)	.11	.19	.13½	.14¾	+ 9.3
Rubber (lb.)	.282	.875	.31	.209	-32.6
Steel Scrap (ton)	37.50	42.50	41.50	31.00	-25.3
Steers (cwt.)	30.00	37.37	30.25	23.625	-21.9
Sugar (lb.)	.058	.068	.0605	.0595	- 1.7
Tallow (lb.)	.048	.182	.046	.058	+26.1
Tin (lb.)	.764	1.83	1.215	.865	-28.8
Wheat (bu.)	2.15	2.55	2.37¼	2.28¼	- 3.8
Wool Tops (lb.)	2.00	4.35	1.97	2.03	+ 3.0
Zinc (lb.)	.15	.19	.10	.128	+28.0

Data: Bureau of Labor Statistics; Engineering & Mining Journal.

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CIO '54 Target: White Collarites

● Goal is a million new members this year—and this means harder organizing, a return to "saturation" tactics.

● Drives now going on in Texas and Missouri show what such a mass organizing drive by a strong union can mean.

Mark 1954 down as a year for a stepped-up union drive in retail stores. Mark it down, too, as a year likely to see a resumption of the pinpointing, saturation strategy of organizing that characterized the early days of CIO.

CIO is out to gain a million new members this year—double the growth it claims for 1953. To do that, it will have to revive the tactics of the 1930s—with a difference. This time, instead of workers in basic industry, the key target will be white-collar workers—particularly retail workers—located in centers of present union strength.

• **Reading the Signs**—This can mean sudden, unexpected campaigns outside the big cities. It can mean a lot of problems for employers who do not look for them.

Two drives already under way underscore that prospect:

• In Port Arthur, Tex., CIO is in the midst of a "saturation" drive aimed at unionizing all store clerks, cafe and restaurant workers, and a variety of others. Port Arthur is known in labor circles as a "union town" because of its heavily organized oil industry.

• In Festus and Crystal City, Mo., CIO is also organizing retail workers and employees in restaurants, service stations, garages, dairies, dry cleaning establishments, and even bowling alleys. This, too, is a "union" area, in which CIO's Glass Ceramic & Silica Sand Workers has concentrated strength.

The Port Arthur and Festus-Crystal City campaigns are similar in many respects. The fact that they are on simultaneously, and at this time, might be only coincidental. But common to both is a strategy CIO used successfully a decade and a half ago—and one that it thinks might work now, where other techniques failed, in retail organizing.

• **Port Arthur Pattern**—Port Arthur, which has an estimated 13,000 CIO and 6,000 AFL workers in its labor force, is about as heavily unionized a city as there is in Texas. The Oil Workers International Union (CIO) swings a lot of weight in the community, both economically and politically.

Interest in unionization has been growing in a number of Port Arthur retail establishments for several years. In the early fall, a clerks' committee asked the oil workers to organize the stores. The oil union told them retail workers are outside its jurisdiction, and referred the group to national CIO. The request was forwarded along to the Distributive, Processing & Office Workers Union.

DPOWU's regional director in Houston went to Port Arthur, and reported finding "prairie fire" interest in unionism among retail workers. An organizing campaign planned initially for a few stores was broadened to include the entire business community.

DPOWU—backed by CIO and OWIU—launched a strongly manned, heavily financed organizing campaign Nov. 19 at 48 stores, hotels, and restaurants. Port Arthur's largest department store, Bluestein's, signed a contract without much delay, and 25 other employers agreed to recognize DPOWU as bargaining agent and to negotiate contracts covering their employees.

Others resisted organization, and the DPOWU tightened picket lines, pinching off considerable Christmas shopping. Many merchants complained that regular customers were going to Beaumont, 18 mi. away, to shop. A request for an injunction to bar picketing was denied.

• **Red Issue**—Employers, however, found a ready ally in Texas Attorney General John Ben Shepperd, who listened with interest to charges that DPOWU's organizing blitzkrieg was actually "a Communist strategy" aimed at giving Communists a substantial foothold in the important oil port. An outside management adviser helped fan the fires by charging that DPOWU is still "a Communist-led and Communist-controlled union."

The charges hit DPOWU in its most vulnerable spot. The union was listed for years in labor's Communist-line bloc. Many present leaders were then alleged to be either party members or close followers of the Moscow line.

Since then—most recently on Nov. 20—top DPOWU officers have signed non-Communist oaths. And when, at DPOWU request, a committee from CIO investigated the distributive workers' union about a year ago, it reported finding that DPOWU is now free of Communist ties. CIO accepted the union on the basis of that report.

Despite that, a lot of the old Red reputation still clings to DPOWU and some of its leaders. CIO gave the distributive workers' union an interim affiliation with the stipulation that it must merge with the Retail, Wholesale & Department Store Union. The merger negotiations have run into one delay after another, due in part to the death of RWDSU's president. Meanwhile, many in CIO complained against DPOWU's "whitewash" and urged that its affiliation with CIO be reviewed.

CIO this week announced that DPOWU's interim affiliation was being terminated as of Dec. 31 because it has not merged with RWDSU.

Shepperd, aware of all this, called on DPOWU officers to answer some 400 to 500 questions about alleged past affiliations with Communist-front organizations. He made no secret of what he hoped to find: information that would permit banning DPOWU from Texas under a state law requiring unions to be "responsible" labor organizations.

With the heat on, Gov. Allan Shivers invoked a little-used section of Texas law to name an investigating commission to probe DPOWU—along with two other "suspect" unions, the Mine, Mill & Smelter Workers and Fur & Leather Workers, both leftwing independents. After a three-day hearing, the commission reported "overwhelming preponderance of evidence . . . that these three isolated labor unions . . . through their international organizations are either Communist-controlled, dominated, or influenced." The commission added that in its opinion present Texas laws are "inadequate to deal with this menace," and should be amended.

It advised locals and members of the three unions to give immediate thought "to separating themselves from these Communist-influenced internationals."

• **Latest Moves**—Even before that, CIO had acted to get the Port Arthur DPOWU local out of a tough spot; it had arranged to have the local switch from DPOWU to direct affiliation with CIO, as Local Industrial Union 1814.

Petitions for National Labor Relations Board elections filed in the name of DPOWU were withdrawn and refiled under the Local 1814 name.

By last weekend, CIO reported "seven or eight" contracts signed and "considerable progress" in organizing and bargaining with other establishments. Picketing was continuing, strongly supported by volunteers from OWIU.

• **Twin City Tactics**—The Red issue is missing in the Festus-Crystal City organizing campaign, but otherwise the pattern there is about the same as in Port Arthur. CIO's Glass Workers heeded "pleas" from white collarites for unionization, union spokesmen say, by setting up a catchall Local 147 and assigning organizers to the twin Ozark cities.

As in Port Arthur, CIO relied a lot on picketing tactics reinforced by "volunteers," in this case from the Glass Workers' locals. The union denies mass picketing demonstrations; businessmen disagree and complain of "aggressive tactics . . . throttling a community."

Labor Bristles at NLRB

Board decisions broadening employers' free-speech rights bring mounting criticism from unions.

Labor's mounting criticism of the National Labor Relations Board reached a new peak last week when NLRB reversed its past policy on another phase of the broad employer's-rights controversy. The board held that an employer is legally entitled to address workers on company time and premises during a union organizing drive without giving the union an equal opportunity (BW—Dec. 26 '53, p. 36).

• **Latest Shift**—This new policy—outlined in two cases involving Livingston Shirt Corp. and Peerless Plywood Co. unfair-labor-practice charges—is a return to the board's original Bonwit Teller doctrine, written in Oct. 1951.

In the future, according to the board:

- An employer may assemble employees on company time and premises at any time up to 24 hours before an NLRB election, and may express his views on union representation freely—provided he neither promises benefits nor threatens reprisals. He need not give the union equal opportunity to present its views, so long as he does not enforce a no-solicitation rule—one that bars union access to company premises at other than working time.

- If he calls employees together during the 24 hours before the election for a last-minute expression of his views,

There's little doubt that the financial impact of the organizing tactics was felt—and quickly—by most business houses. One theater, picketed off and on over four months, estimated it lost \$20,000 in business.

The Glass Workers adopted the old "flying squad" picketing technique—sending caravans of "volunteer" pickets to a store, dairy, or filling station being organized, to put heavy pressure on the employer at the most strategic time. This has varied, though. Cleaning establishments, for instance, have been picketed constantly, and as a result have been forced to discontinue delivery service; all their business is now cash and carry.

So far, the union has not moved against the twin cities' department stores—where strong resistance is expected. It has concentrated first on smaller firms, signing up 350 members for Local 147. But Ralph Reiser, vice-president in charge of organizing for the Glass Workers, plans to open a drive against the stores early in the new year.

the board will not consider the action an unfair labor practice, but may order another election if "valid objections" are raised.

Under the Bonwit Teller doctrine, if the employer held a meeting on company premises and time and refused the union an equal chance to address employees, the refusal constituted an unfair labor practice. This policy applied only to department stores at first but the board later broadened it to cover any situation of this type. This policy has been under employer attack from the start, and at least one amendment to the Taft-Hartley act has been proposed to redefine employer "free speech" rights to ease the Bonwit Teller curb.

- **Labor Reaction**—Labor's sharp attack on the board for the Livingston Shirt and Peerless Plywood decisions accuses NLRB of "amending" the federal labor law in a way "incompatible with basic American principles."

The labor criticism is directed primarily at the reversal of the Bonwit Teller policy, but it goes beyond that. Two previous NLRB decisions are also strongly opposed by unions. These relaxed rules on what an employer may say to workers before an election (BW—Dec. 5 '53, p. 156).



What made Mr. Rudyard do it?

Mr. Rudyard was showing us through his new lathe department the other day. He pointed to the shiny new monsters and said, "Look at 'em chewing away that bar stock."

The lathes were impressive, but the work they were doing was singularly run-of-the-mill. We pointed this out to our beaming host and he assured us that they could cut mighty fancy capers if they had to.

We said we'd like to see some caper-cutting, so he took us over to the corner where two lathes were cutting the fanciest capers we ever saw. We asked how much of this work his shop did, and he said, "Not much."

Tactfully, we hinted that a standard Cincinnati Lathe could do the bulk of his work and save him about \$4,000 per copy.

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N.B. The above sounds like kidding, but isn't! Takes only 3¢ to call our bluff by writing on your letterhead for Management Facts About Lathes.

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Blind Workers Get the Job ...



... Salvaging Parts for Re-Use

Lockheed Aircraft Corp. has unearthed another important job in industry that blind people can do better than people with normal sight. That job is salvaging for re-use the large volume of nuts, bolts, rivets, fittings, screws, and the like that are swept up from a plant floor, hopelessly intermingled.

Floor sweepings represent a costly industrial waste. But past experience in trying to reclaim the miscellaneous small parts sifted from the sweepings has been discouraging. They must be meticulously sorted and reclassified before they can be used again.

Last week, Lockheed tried again. This time it awarded a contract to a factory of blind workers at Griffin, Ga.,

to process 7,500 lb. of parts for Lockheed's giant Marietta (Ga.) military aircraft plant. The contract was competitively awarded on the basis of superior quality, delivery schedules, and price.

Test runs at the Griffin plant, which is a state-sponsored enterprise, show that blind workers have an almost infallible sense of touch. This enables them to sort rapidly, classify, and check for outside perfection the thousands of miscellaneous small parts with virtually 100% accuracy.

Lockheed estimates it will save \$3,000 a month by shipping its sifted, de-greased floor sweepings to the Griffin factory for sorting.

How to End Feuds

Settling union jurisdiction squabbles is tough, but IAM shows way in new pact with pressmen, talks with others.

Can rival unions really sit down together and work out agreements on job jurisdiction? That's a big question these days, due to the increasing talk of AFL-CIO amalgamation. The answer: It can be done—but it isn't easy, and it takes time.

That's the reply that came last week from the International Assn. of Machinists (AFL), which is trying to iron out jurisdictional problems it has with other unions in AFL—and with some in CIO, too.

• **Pact**—IAM and the International Printing Pressmen & Assistants' Union (AFL) put signatures on a new "mutual assistance" pact after some lengthy negotiations. The formal agreement spells out the jurisdiction of the two unions in the printing trades, and also provides machinery for peaceful settlement of any job disputes that might come up.

Specifically, the pact gives the machinists jurisdiction over manufacturing, erecting, installing, repairing, and dismantling presses; the pressmen are in charge of testing, making ready, operating, and adjusting the presses.

If local union officials can't settle a dispute, the new agreement requires that (1) representatives of the international unions must seek a mutually satisfactory settlement, and (2) if they fail, they must send the dispute to final and binding arbitration.

• **Talks**—IAM and the Brotherhood of Carpenters (AFL) will continue negotiating for a similar agreement in January, with outside "consultants"—the Rev. Dr. William J. Kelley, O.M.I., of Catholic University, and John T. Dunlop, impartial arbitrator of the construction industry—helping the union committeemen. The Machinists-Carpenters jurisdictional dispute is one of labor's oldest and thorniest.

Similarly, IAM is negotiating a jurisdictional peace pact with the Bridge, Structural & Ornamental Iron Workers (AFL), is conferring with the Plumbers (AFL) on "problems that exist under an existing agreement," and is scheduled to begin talks shortly with the International Union of Operating Engineers (AFL). It has what it calls a "satisfactory" pact with AFL's Teamsters.

IAM also has "mutual assistance" agreements with the United Auto Workers (CIO) and the United Rubber Workers (CIO).

• **Plan**—Besides all this, IAM's president Al Hayes is sitting in on even broader-scale negotiations; he's a member of AFL's five-man committee charged with drafting a plan for "adjustments and adjudication of jurisdictional disputes" inside AFL—in time for the Federation's February council meeting if possible (BW—Dec. 26 '53, p74).

Hayes, George Harrison of the Railway Clerks, Charles J. MacGowan of the Boilermakers, Daniel W. Tracy of the Electrical Workers, and William C. Birthright of the Barbers have held one meeting so far. No developments.

LABOR BRIEFS

No raise will be sought for three years under an agreement signed by AFL Lathers & Employing Plasterers Assn. of Chicago, representing 38 contractors who employ 1,000 lathers. Union and association negotiators said the pact barring new wage demands is intended "to help stabilize wages . . . and insure continued high employment" in Chicago construction. Lathers now get \$3.30 an hour.

Strike settlement for a 2% raise (about 2¢ an hour) retroactive to Jan. 1, 1953, paved the way for reopening of Boss Mfg. Co.'s plant in Kewanee, Ill., a week ago. Boss closed down more than six months ago when 250 members of the Amalgamated Clothing Workers (CIO) walked out for a 10% raise.

Private club for union officials in Washington was suggested during the recent chummy meeting of AFL and CIO unity committees. When a committee-man proposed that unions find a place where officials could meet and relax—away from hotel rooms—while discussing mutual problems, one union pledged \$40,000 toward a club. The matter is due for further joint consideration.

Dock outbreaks between AFL seamen and independent leftist longshoremen in San Francisco have forced Hawaiian-Pacific Lines to drop plans for sailing the S. S. Aleutian on a "casual" low-fare service to Hawaii (BW—Dec. 12 '53, p162). Seamen and longshoremen

The Pictures—Air Force Photo—84; Gilreath Press Syndicate—66; Bob Isear—Cover, 25, 40, 41; Claude Neon, Inc.—86 (top); United Press—30, 31, 32, 54, 56, 85; Utility Service Co.—86 (bot.); Wide World—80.

Executives...

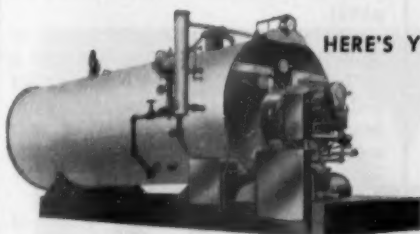
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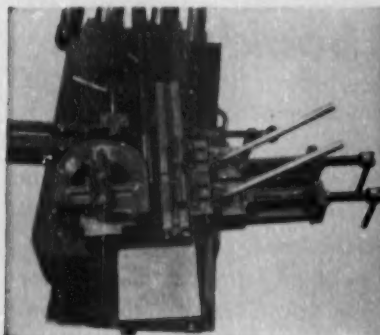
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Bending Specialists since 1900

fought for jurisdiction over stewards and cooks.

AFL hat workers, now in the twenty-fifth week of their strike against the Hat Corp. of America, have received a \$250,000 loan from the International

Ladies Garment Workers Union (AFL)—one of the biggest loans ever made by one union to another to finance a strike. The hatters, already out \$900,000 on the strike, had earlier raised \$500,000 by a bond issue (BW—Nov. 7 '53, p165).

What's Happening to the Cost of Living

	Total Cost of Living		Food 1947-49 = 100	Clothing 1947-49 = 100	Housing 1947-49 = 100	
	1947-49 = 100	1935-39 = 100			Total	Rent Only
November, 1947	98.9	165.4	100.3	99.4	98.4	98.0
November, 1948	103.5	173.0	102.7	105.3	103.4	102.3
November, 1949	101.6	169.8	99.4	97.4	103.9	106.6
November, 1950	105.5	176.4	104.4	101.6	108.8	110.0
November, 1951	112.8	188.6	114.6	108.5	113.7	115.4
November, 1952	114.3	191.1	115.0	105.2	115.7	119.5
December	114.1	190.7	113.8	105.1	116.4	120.7
January, 1953	113.9	190.4	113.1	104.6	116.4	121.1
February	113.4	189.6	111.5	104.6	116.6	121.5
March	113.6	189.9	111.7	104.7	116.8	121.7
April	113.7	190.1	111.5	104.6	117.0	122.1
May	114.0	190.6	112.1	104.7	117.1	123.0
June	114.5	191.4	113.7	104.6	117.4	123.3
July	114.7	191.8	113.8	104.4	117.8	123.8
August	115.0	192.3	114.1	104.3	118.0	125.1
September	115.2	192.6	113.8	105.3	118.4	126.0
October	115.4	192.9	113.6	105.5	118.7	126.8
November, 1953	115.0	192.3	112.0	105.5	118.9	127.3

Data: U. S. Bureau of Labor Statistics.

BLS' index is now on a revised basis. It is linked to the interim-adjusted index for December, 1932, to form a continuous series both in terms of 1947-49 = 100 and 1935-39 = 100.

BUSINESS WEEK

First Drop Since February

The Bureau of Labor Statistics' monthly cost-of-living index dropped to 115% of 1947-49 average in mid-November—reversing, at least temporarily, an eight-month climb that had carried living costs to a record 115.4% index level in mid-October (BW—Dec. 5 '53, p162).

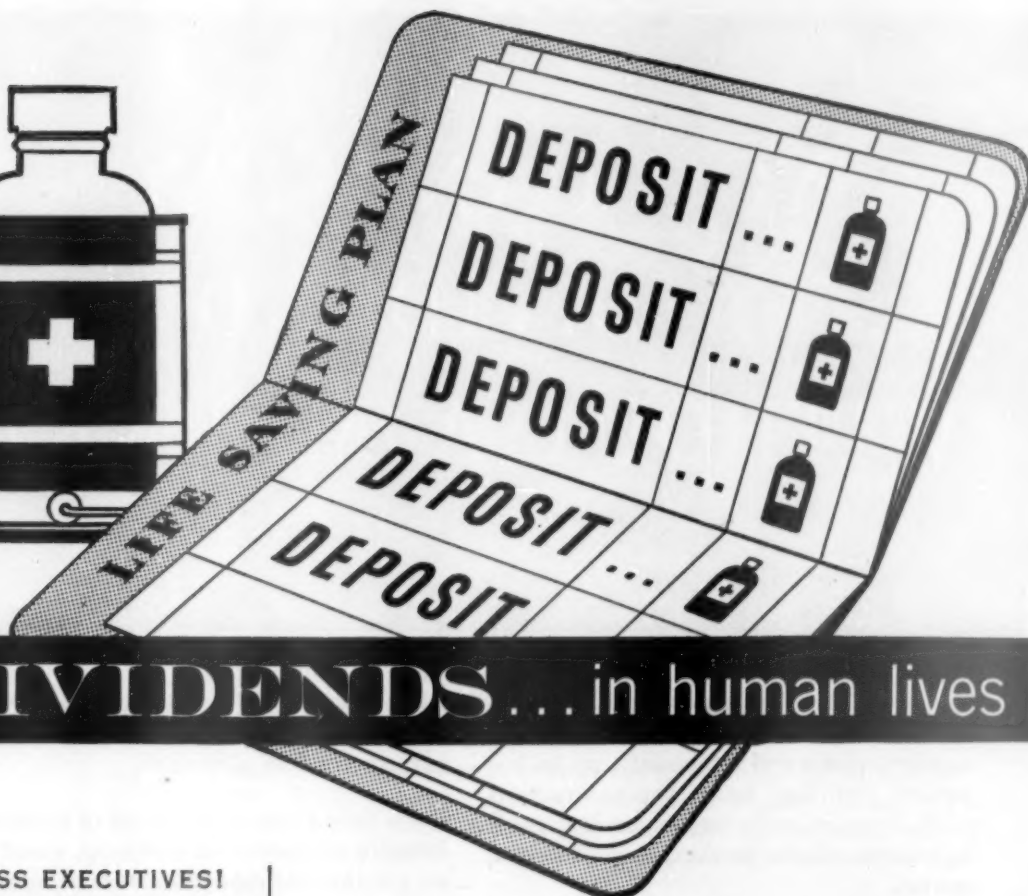
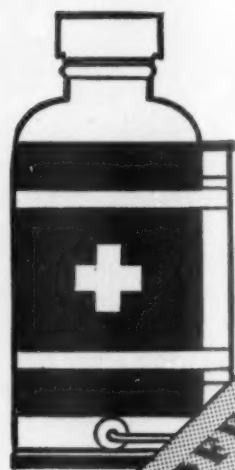
The slight decline—result mainly of lower meat and egg prices—deprived a million railroad workers still under c-of-l contracts of an expected 1¢-an-hour "escalator" raise. That amount would have been due to them if BLS' index had held steady at the mid-October level.

• **Stepping Off**—One major group of rail workers, the Brotherhood of Railway Trainmen, dropped the c-of-l clause when it signed a new contract with carriers (BW—Dec. 26 '53, p77). Expectations of a declining BLS index in 1954 were behind the decision to get off the living-cost escalator and return to "freer and fuller collective bargaining" for 250,000 members.

With other unions feeling much the same way, a year-end drop in BLS' index can be expected to influence contract bargaining. Demands could shift from c-of-l bonuses to other bases for pay increases—and maybe even away from direct wage demands toward greater emphasis on "fringes."

• **Variations**—However, the further seasonal decline may be delayed. After three successive drops, food prices now show signs of advancing—led by pork. BLS Commissioner Ewan Clague warns that this might prevent a further living-cost decline in mid-December's index, due late in January. But after the first of the year, annual clothing sales are expected to pull the index down again.

The mid-November decline was the first since last February. In addition to sagging food prices, the transportation index also dropped a little, due to lower used-car costs. Other index items, including housing, showed increases between mid-October and mid-November.



DIVIDENDS...in human lives

BUSINESS EXECUTIVES!

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- ☐ HAVE YOU GIVEN YOUR EMPLOYEES TIME OFF TO MAKE BLOOD DONATIONS?
- ☐ HAS YOUR COMPANY GIVEN ANY RECOGNITION TO DONORS?
- ☐ DO YOU HAVE A BLOOD DONOR HONOR ROLL IN YOUR COMPANY?
- ☐ HAVE YOU ARRANGED TO HAVE A BLOOD-MOBILE MAKE REGULAR VISITS?
- ☐ HAS YOUR MANAGEMENT ENDORSED THE LOCAL BLOOD DONOR PROGRAM?
- ☐ HAVE YOU INFORMED EMPLOYEES OF YOUR COMPANY'S PLAN OF CO-OPERATION?
- ☐ WAS THIS INFORMATION GIVEN THROUGH PLAN BULLETIN OR HOUSE MAGAZINE?
- ☐ HAVE YOU CONDUCTED A DONOR PLEDGE CAMPAIGN IN YOUR COMPANY?
- ☐ HAVE YOU SET UP A LIST OF VOLUNTEERS SO THAT EFFICIENT PLANS CAN BE MADE FOR SCHEDULING DONORS?

Remember, as long as a single pint of blood may mean the difference between life and death for any American . . . the need for blood is urgent!

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America's blood bank needs **more blood, now**. Be a regular depositor and know that your dividend is saving a life of some American—somewhere.

It may be a soldier shot down in battle, suffering from **shock**. Or someone here at home, sick and in dire need of new blood to restore life. A mother in childbirth, or a child in an accident.

America must give. America is **you**. Won't you call your Red Cross, Armed Forces or Community Blood Donor Center right now, for an appointment?

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Men can be hired, factories and equipment can be bought, but *markets must be built*. A company's recognition . . . the preference for its products . . . is the result of a consistent, coordinated sales and advertising program. And, while it may be hidden in a financial statement, product recognition is a mighty important asset when you're dealing with the men who specify, buy and use the product.

Intelligently planned Business Magazine Advertising not only builds product recognition, it cuts the time factor in selling, thus reducing

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HEADQUARTERS FOR BUSINESS INFORMATION

PERSONAL BUSINESS

BUSINESS WEEK
JAN. 2, 1954



Remember that the big reckoning day for many taxpayers has become Jan. 15—not Mar. 15. By that date, you must have paid at least 80% of your final 1953 tax. Otherwise, you're subject to a penalty.

It's worth a careful check to see how your tax payments stand. Don't be surprised to find that you owe the government something by Jan. 15—maybe a sizable amount.

The reason is that salary withholding is not likely to subtract the full tax; it's normally based on only a 20% rate. And the higher the salary, the wider the gap between the full tax and the withholding.

Because of this, consider asking your employer to withhold more than the 20%. The law now allows you to do this.

You must make such an arrangement with your employer in writing. Make the agreement to last as long as you want. If there's no time limit, either you or your employer can end the arrangement on any Jan. 1 or July 1—by written notice 30 days before those dates.

Note especially that withholding covers only salary. You have to pay the tax yourself on other income—dividends, interest, partnership and professional income, capital gains, rent income, and annuity income.

You must estimate these in advance and should file a tax declaration every Mar. 15. When you file it, pay a quarter of the tax, and like amounts on June 15, Sept. 15, and Jan. 15. By Jan. 15, these payments plus withholding from salary income must account for at least 80% of the final tax due on Mar. 15.

If it doesn't, the penalty can run to 6% of the entire shortage in the estimate.

Be sure you file any amended declaration on time—and pay what money is due on time. Failure to meet the deadline brings a second penalty.

If you can show that there was a reasonable cause for the delay, there usually will be no penalty, though.

You can avoid the penalty for underestimating by figuring your tax now. By this time, you should have a pretty accurate picture of your 1953 income and deductions.

But before you start, make sure you have taken all your income into consideration. Don't overlook any Christmas bonuses, or profit-sharing you may have had late in the year. These could throw your original declaration way off.

If 80% of the tax you compute is more than the amount withheld, plus your previous installment payments, you can do one of two things. First, you can amend your tax declaration and pay what you owe. That would bring you over the 80%.

Or you can file your 1953 return by Jan. 15, paying the final tax in full. That way you can avoid amending your declaration—this takes the place of it.

You'll save yourself a lot of grief if you make a point of filing a

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JAN. 2, 1954

declaration for 1954 on Mar. 15, sending it in with your return for 1953. Do it even if you show no tax due then.

Or avoid underestimating this way: Use your 1953 income with the 1954 exemptions and tax rates to estimate your tax for 1954.

However you do it, filing on time is especially important now. In the past, the Treasury has been lenient with people who failed to make their first declaration on Mar. 15. But it will be stricter in the future, slapping on penalties for failure to file on time.

—•—

If you're thinking of setting up a home workshop, be sure to give some thought to the power tools you buy. Although each tool is valuable in itself, it's important for a beginner to start out with those that are the most versatile.

You'll be wise, for example, not to start out with a lathe—a temptation with most beginners. Years ago it was the most important tool; rounded designs of furniture were dependent upon the lathe.

Now the circular saw has replaced it in importance, veteran craftsmen say. Modern furniture stresses square corners. Also, modern living demands more shelves, and rebuilding projects make accurate cuts essential.

All these things—and many more—can be done with a circular saw. Various attachments now available broaden its versatility even more.

If your space is limited, look into the possibility of getting a so-called radial-arm unit. The saw blade and other attachments operate on an arm that can be moved to any height at any angle quickly.

The space advantage is that you can use all attachments from one motor and one stand. Besides the circular saw, you can use a dado head (grooving device), drill press, lathe, shaper attachments, etc., on a single unit. Main disadvantage: You can seldom use more than one attachment at once, have to change them for different jobs.

—•—

National Better Business Bureau, Inc., warns small landowners to be careful about mail-order advertisements urging them to buy the multiflora rose as a "living fence." The fence may get out of hand and become a thorny pest.

The Dept. of Agriculture recommends the Rosa Multiflora only for soil conservation purposes and as cover for wildlife—only on farms and other spacious areas. One of these shrubs may grow nine ft. high and nine ft. across.

Foliage texture and color are not of top quality; flowers resemble those of the blackberry. It's hard to keep clipped into a hedge.

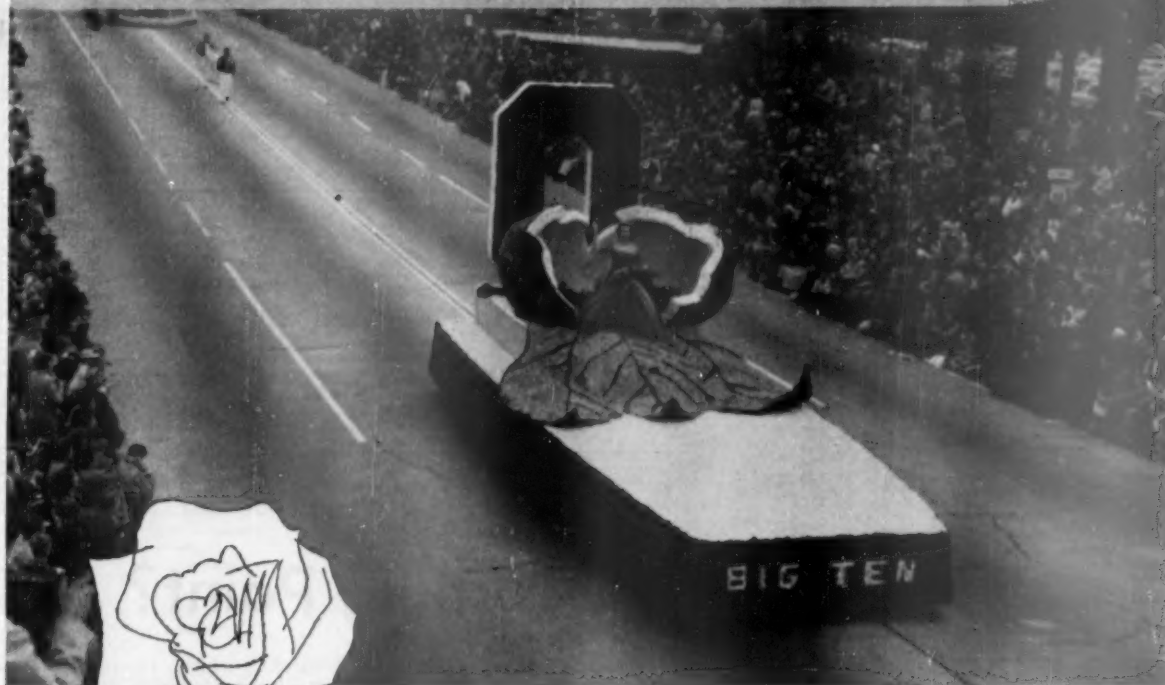
—•—

Show Biz, a book about Broadway by Variety editor Abel Green, has lent its name to a new enterprise. RCA-Victor has just issued a record album of actual performances of stars, from Caruso on, recorded over the past 50 years. It's called Show Biz, too; it's narrated by George Jessel.

Note, too, that Columbia Records has just published an album of the score of *Kismet*, by the musical's original cast.

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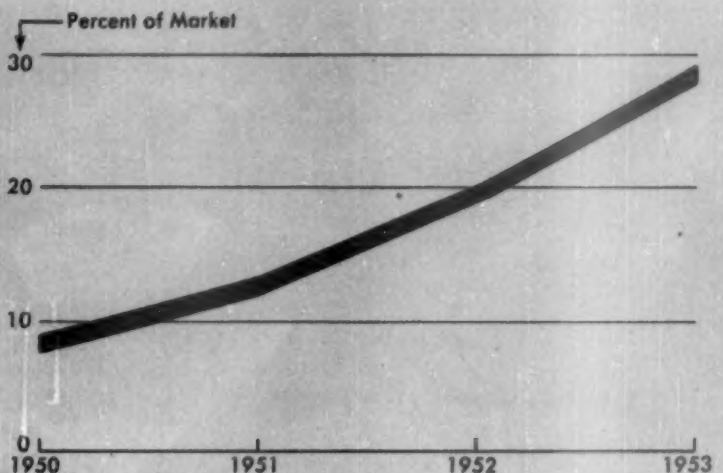
MARKETING

Total domestic cigarette sales were down last year ...

	Billions of Cigarettes
1940	180.5
1945	267.2
1950	360.8
1951	378.7
1952	394.9
1953	387.0

... This is the first drop since 1932

... and filter-tips and king size are taking a bigger piece of the market



Cigarettes: Is This a Turning Point?

The year 1953 was a year tobacco makers aren't likely to forget. It was the year that ended a 21-year upclimb in domestic sales. It was the year when regular-size cigarettes took a licking almost clear across the board. It was a big year for filter-tips and king sizes. And it was the year when cigarettes encountered the worst publicity they have ever had. The long-percolating talk of a possible link between lung cancer and smoking finally boiled over (BW-Dec. 5'53, p58). Even though the industry insists the evidence is lacking, there are some signs that the talk is making a difference in smoking habits.

Through the din of that publicity, two facts emerge concerning the sales record, as estimated in BUSINESS WEEK by Walter E. Knight, director of the research division of the Louisville Chamber of Commerce:

- All sales of cigarettes were off 2% for domestic sales, 2.9% if you count in the tax-free cigarettes, which go mainly to the armed forces.

- The regular size accounted for most of that drop; they were down 13.3%. King-size cigarettes gained 37.1%. Filter-tips did even better; they did 2.32 times as much business.

- **Reasons**—The industry isn't too hard put to it to find reasons for the sales drop. It began back in April, 1953. So obviously the bad publicity, which broke late in the year, wasn't entirely

to blame. Manufacturers point to these factors as possible explanations for the slide:

The number of 20-year-olds now coming into the market is skimpier than it used to be—thanks to the Depression drop in the birth rate. The trend to long smokes cuts into smoking. If you smoke bigger cigarettes, you smoke fewer cigarettes. Price increases early in 1953 may have slowed some smokers. This argument has some weakness, though, because the so-called economy brands—Wings, Avalons, Marvels—fared badly.

It was probably a combination of circumstances, then, that brought about the sales dip. Explaining the switch to filter-tips and king sizes without taking the health factor into consideration is harder. The big selling point of the filter-tips is that they lessen irritation. And, whether justifiably or not, cigarette makers have promoted the idea that the long cigarettes act as a self-filter that accomplishes the same purpose. Of course, too, the argument goes that in paying about a penny a pack more for the king size, you get more cigarettes for your money.

- **Tip-Off**—The record of the filter-tips is probably the tip-off. It was nothing short of sensational. Brown & Williamson Tobacco Corp.'s Viceroy—the No. 1 seller in that group by far—sold 2.2 times as many cigarettes as in 1952.

Parliaments, which changed stables from Benson & Hedges to Philip Morris & Co., Ltd., last fall (BW-Oct. 31'53, p26), scored a 57.9% increase. P. Lorillard's Kents multiplied sales four times—though this is hardly a fair comparison since Kents were on the market for only nine months of 1952. Moreover, a real Johnny-come-lately, Liggett & Myers Tobacco Co.'s L & M, introduced in October (BW-Oct. 19'53, p56) pulled an estimated one-third of a billion in sales from scratch.

- **Longs Gain**—The king sizes also showed up well. Among the longs, R. J. Reynolds Tobacco Co.'s Cavaliers were the biggest percent gainer, with a 66.7% increase. Philip Morris' Dunhills and P. Lorillard's Embassys also made nice gains. And the big three in the king size—American Tobacco Co.'s Pall Malls and Herbert Tareyton's, and Liggett & Myers' Chesterfields—all scored respectable advances over 1952.

The king size had already proved its strength in 1952 (BW-Dec. 27'52, p41). In 1953 three brands—Raleigh, Philip Morris, and Old Gold—all followed Chesterfield's 1952 lead in bringing out long cigarettes under the same name as their regular brands. Philip Morris and Old Gold still kept their short jackets, too. Raleigh, starting in the second quarter, dropped its regular smoke altogether.

Against such a showing the regulars

Here's how these changes show up in brand sales

Estimated Domestic Tax-Paid Sales
Billions of Cigarettes

BRAND	1952	1953	% Change	Share of Market	
	1952	1953		1952	1953
REGULAR SIZE:					
Camel (R. J. Reynolds)	104.5	99.0	-5.3%	26.5%	25.6%
Lucky Strike (American Tobacco)	73.5	65.0	-11.6	18.6	16.8
Chesterfield (Liggett & Myers)	57.0	48.5	-14.9	14.4	12.5
Philip Morris (Philip Morris)	36.5	28.0	-23.6	9.2	7.2
Old Gold (P. Lorillard)	23.5	19.5	-17.0	6.0	5.0
Kool (Brown & Williamson)	11.5	11.5	0.0	2.9	3.0
Raleigh (Brown & Williamson)	8.3	1.5 ⁽¹⁾	-80.0	2.1	0.4
TOTAL (Regular Size)	314.8	273.0	-13.3	79.7	70.5
KING SIZE:					
Poll Mall (American Tobacco)	42.5	48.0	12.9	10.8	12.4
Herbert Tareyton (American Tobacco)	12.5	14.0	12.0	3.2	3.6
Chesterfield (Liggett & Myers)	11.0	13.5	18.2	2.8	3.5
Philip Morris (Philip Morris)	...	7.0 ⁽²⁾	1.8
Raleigh (Brown & Williamson)	...	6.0	1.6
Old Gold (P. Lorillard)	...	3.5 ⁽³⁾9
Cavalier (R. J. Reynolds)	1.5	2.5	66.7	.4	.6
Falima (Liggett & Myers)	2.0	2.0	0.0	.5	.5
Dunhill (Philip Morris)	1.0	1.5	50.0	.3	.4
Embassy (P. Lorillard)	.7	1.0	42.9	.2	.3
Regent (Riggie Tobacco)	.8	.5	-37.5	.1	.1
Wings (Brown & Williamson)	.7	.5	-28.6	.1	.1
Marvel (Stephano Bros.)	.6	.5	-16.7	.1	.1
TOTAL (King Size)	73.3	100.5	37.1	18.5	25.9
FILTER TIP:					
Viceroy (Brown & Williamson)	2.7	6.0	122.2	.7	1.5
Parliament (Philip Morris)	1.9	3.0	57.9	.5	.8
Kent (P. Lorillard)	.7 ⁽⁴⁾	3.0	328.6 ⁽⁴⁾	.2	.8
L & M (Liggett & Myers)3 ⁽⁵⁾1
TOTAL (Filter Tip)	5.3	12.3	132.1	1.4	3.2
ALL OTHER	1.5	1.2	-33.4	.4	.3
Total Tax Paid	394.9	387.0	-2.0	100.0	100.0
Tax Free	42.9	38.0	-11.4		
GRAND TOTAL	437.8	425.0	-2.9		

⁽¹⁾ Went to king size exclusively April 1.

⁽²⁾ Introduced king size January 1.

⁽³⁾ Introduced king size April 6.

⁽⁴⁾ Comparison a bit incomplete because of full year of 1953 compared with 9 months of 1952.

⁽⁵⁾ for a completely new brand.

⁽⁶⁾ Introduced in October, 1953.

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fared badly. R. J. Reynolds' Camels could take some consolation for their 5.3% drop in the fact that they were still the No. 1 brand. They also had the smallest decline of any of the big

regulars except Brown & Williamson's Kools, which alone managed to stay even with 1952.

On the strength of 1953's record, it's not surprising that more kings and

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Howard Stephenson is President of Community Relations, Inc., also Chairman, Division of Public Relations, School of Public Relations and Communications, Boston University. Wesley Fiske Pratzner is Professor of Public Relations at this same school. Both authors were formerly with Hill and Knowlton, Inc., (Mr. Stephenson as Vice President), and Westinghouse Electric Corporation.

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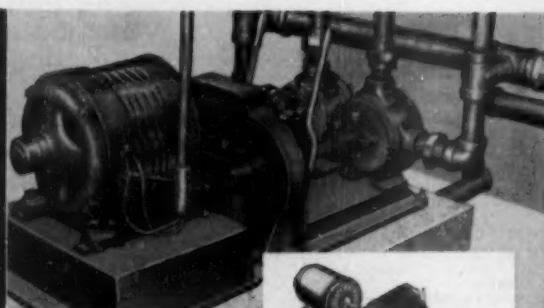
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BW-1-2

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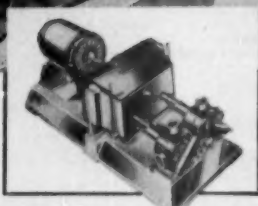


FIG. 161
The latest in totally enclosed Viking Twin units.

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BUSINESS WEEK

330 West 42nd St. N. Y. 36, N. Y.

"... one man cured himself of early-morning smoking by stopping driving down to the office ..."

CIGARETTES starts on p. 74

filters are in the cards for 1954. Kools in a king size are being test-marketed in the state of Washington. Philip Morris, too, is testing king-size sales appeal for Parliaments. In filter-tips, R. J. Reynolds is reportedly working on a new cork-tip filter, which may well be expected on the market in the coming year.

• **Costly Gains**—The industry is beginning to get an answer to a question that was of wide concern a year ago: Does the addition of a king size, selling under the same label as a regular, increase the manufacturer's share of the market? Philip Morris had a full year to try this one out—and its total share of the market is off fractionally. So is Chesterfield's. Neither Old Golds nor Raleighs were on the market a year in both longs and regulars—and both brands seem to have lost a shade of their share. It looks, then, as though most firms that go king size find themselves about where they were a year or so before—no better off and no worse.

The filter-tips pose some problems of their own. It takes a big capital investment to switch from a regular to a filtered cigarette. Per unit costs of filter models are higher because they require more materials, take longer to produce. Yet, despite these factors, manufacturers agree the filter-tip is here to stay. Some estimate that one day it may account for a third of the market; others, more conservative, say 10% is a fair guess.

• **No Tax Relief**—The switch-around in types wasn't the only event in the cigarette race last year. Price controls were taken off—and packs at retail went up in most cases about one cent.

This led to much talk in Congress about reducing the tax on the so-called economy brands. These brands—the only king sizes that slowed up last year—carry the same 8¢-per-pack tax load as the more expensive varieties. The economy-brand manufacturers are trying to get a reduction on their rate.

All makers agree wholeheartedly that some tax help is in order. They would like to get the federal excise tax back to the 7¢ per pack level promised when it was raised to 8¢ in November, 1951. The industry isn't hopeful that it will get this relief, though.

• **Earnings Up**—Despite their troubles, earnings of the major companies held up well during the year. A comparison of their earnings per share of common stock in 1952 and 1953 follows:

	1952	1953 (estimated)
American Tobacco ...	\$4.79	\$6.04
Liggett & Myers.....	5.11	5.39
P. Lorillard	2.01	2.33
Philip Morris	4.13	5.23
R. J. Reynolds.....	2.90	3.10

Profits in 1954 may show a different picture. Leaf prices have been running \$2 to \$3 per cwt. over 1952's; labor costs will undoubtedly stay about where they are. And there's little likelihood that manufacturers will risk another price rise, at least until they have thoroughly analyzed last year's market. Chances of profit improvement seem to depend on getting operating economies—and the trend toward kings and filter tips could well offset any major economies.

• **New Worry**—Above all, the furor brought on by the cancer talk is giving manufacturers nightmares. The 200-year-old tobacco industry has weathered fair times and foul. The 1953 earnings show the industry can handle their business in difficult times. Can they weather this, the toughest storm of all?

So far, there are no signs of any mass movement to give up smoking. A lot of addicts "seriously considered" it, but usually that was as far as they got. Yet there's evidence that the cancer scare has taken some hold. A lot of people have cut down. Here and there you'll find crusaders who are really trying. One man cured himself of early-morning smoking—by stopping driving to the office and riding the public transportation system, where he can't smoke. An office manager of a big Cleveland company reports that fewer people are taking time off for a coffee break. Apparently idle time is smoking time, and they don't want to smoke.

• **Effect on Sales**—Most tobacco retailers notice little if any drop in cigarette sales. Yet at least one big retail drug chain reports sales of all tobacco—cigarettes, cigars, pipe fuel—are down noticeably since stories about lung cancer got about.

City after city confirms the switch to filter-tips, holders, filters, and the like. The Statler newsstand in Boston, for instance, says its sales of filtered brands have doubled in the past weeks. Houston stores say such sales are up some, though not greatly.

Two other straws: Tobacco and newsstands in a couple of big Cleveland office buildings report sales of hard candy on the steady upgrade. Men are buying sweets—in 25¢ and 50¢ pokes. Perhaps the most ominous note of all, from the cigarette makers' viewpoint: Sales of Vanguard Press' book, *How to Stop Smoking*, are running nearly 3,000 a month—against 1,000 a few months ago.



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Battle Over Brokerage Fees

First big try since the 1930s to amend the Robinson-Patman Act upsets grocery trade . . . Discriminatory pricing also a problem again . . . Seagram pooh-poohs decanters.

The Republican Congress is cranking up for a shot this session at amending the Robinson-Patman Act. The act, a product of the New Deal days, has been shot over frequently; this time the controversy lies between the food brokers and the voluntary chains, on the old question of who is entitled to collect brokerage fees.

The dispute revolves about Section 2c of the act that was passed in 1936 to protect the independents from the larger chains. Section 2c bars buyers or buyer-controlled intermediaries from receiving brokerage allowances except for services rendered. Previously, it had been common practice for A&P and other chains to collect brokerage fees when they bought directly from the supplier.

• **Group of Stores**—The current flareup is a continuation of the battle between the Federal Trade Commission and the Red & White Corp. and the Independent Grocers' Alliance Distributing Co. (BW—Apr. 5 '52, p. 30). IGA is essentially a group of individually owned stores organized into a voluntary buying unit. It had argued before FTC that Section 2c didn't apply to it because it offers selling services in return for fees. But in March, 1952, FTC ordered IGA to "discontinue accepting unlawful brokerage fees from sellers of groceries and related commodities."

Some six weeks ago the Assn. of Independent Food Dealers of America, composed of wholesalers and some retailers, was formed to carry on IGA's battle. James Slocum of Slocum-Bergren Co., Minneapolis, IFDA president, says the organization "is not anti-chain or anti-broker, but it is anti-monopoly and pro-retailer." IFDA wants the Robinson-Patman Act amended to grant the buying agencies of the voluntary chains (they say nothing about the regular chains) the opportunity to earn brokerage. Section 2c, it says, has drastically hurt the growth of the independent grocer. Furthermore, says Slocum, the chains are taking over the metropolitan markets and forcing the independents into the rural areas.

• **Promotion**—IFDA feels that if the ban were lifted from the independents, their buying agencies could earn brokerage fees on some 10% to 15% of their business. These fees, obtained from services actually rendered, would go to finance promotional work of the distributors and to help the independent grocer improve his business. With-

out the fees, the independents don't have the money for such promotional programs—as the chains do.

IFDA also feels that lifting the ban will get the independent distributor off the hook of paying the food broker for services that the latter often neglects to perform. Trade sources say that these savings would give the voluntary chains a buying advantage at a time when they are hard pressed by dwindling margins and the competition of the regular chains.

• **Opposition**—The National Food Brokers Assn. in Washington is battling the IFDA stand. The FBA strongly favors Section 2c and opposes any attempt to permit buyers to collect brokerage compensation from the sellers. Watson Rogers, president of FBA, says "buyers and buyer-controlled intermediaries can't perform the sales services of the legitimate food broker."

Siding with FBA are the Certified Grocers of California, Ltd., and the Abner A. Wolf Co. of Detroit. In Los Angeles, Campbell Stewart, president of CGC, argued that "this attempt to amend Section 2c seeks to break down the protection that the independent retail grocer has enjoyed under the act." Abner A. Wolf says the act has been valuable to all independents in the food industry, and his company has always conducted business with the food brokers.

The National American Wholesale Grocers' Assn., Inc., in New York, is maintaining strict neutrality. Its secretary, Ralph Johnson, says NAWG would like to hear representatives of both the IFDA and FBA debate the brokerage issue at its annual convention in Atlantic City, Jan. 22.

FTC Hits Sylvania

Sylvania Electric Products, Inc., has been found guilty by a Federal Trade Commission trial examiner of selling radio tubes to Philco Corp. at discriminatory prices.

At the same time, examiner Webster Ballinger dismissed a companion complaint against Philco for knowingly soliciting illegally low prices from Sylvania.

The Sylvania decision, which the company has 30 days to appeal to the full FTC, may be a key one in laying down the new commission's policy in

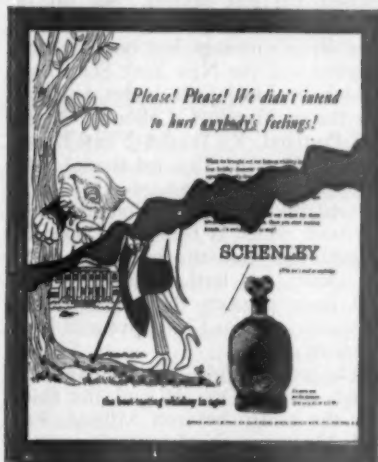
the highly controversial area of cost justification.

Sylvania, according to Ballinger, sold replacement tubes to Philco at prices lower than those Sylvania's own distributors paid for the same tubes. Philco put its own brand on the tubes and distributed them to servicemen to compete with radio repair people who buy Sylvania tubes.

Sylvania claimed it saved about 20% in cost by selling private brand tubes to Philco. FTC objected to the weighted averages Sylvania used to show this saving, insisted Sylvania must show actual savings.



Bottle or Decanter . . .



. . . the Whiskey Counts

Seagram took no part in this year's wild race for the flossiest decanter for its whiskey (BW-Dec.12'53,p48). But it couldn't ignore the battle. Advertisements for its 7 Crown whiskey stress the theme: The contents are what count. In a remarkably fast turnabout, Schenley, which had started that decanter

race (BW-Sep.12'53,p34), came back the next day, neatly turning its competitor's words to its own advantage. "We agree," the Schenley ad reads. "Don't drink the decanter, drink the whiskey."

In any case, decanters are doing well. Old Grand-Dad's holiday decanter sold so well in the New York area that the supply was almost exhausted (BW-Dec.12'53,p48). To meet the demand Peel Richards, New York distributors for National Distillers, chartered an Eastern Air Lines plane to fly the whiskey into LaGuardia Airport from Indianapolis—the first plane to be chartered for such use.

MARKETING BRIEFS

Manhattan Shirt Co. will seek a new market when it introduces its "Lady Manhattan" in early spring. This long-time maker of men's shirts will retail three varied styles—exclusively for women.

Price reductions up to 24% in air conditioning equipment were announced by Bryant Heater Division of Affiliated Gas Equipment, Inc., in Cleveland. Reductions, the company said, were based on increased demand and economies achieved in mass production.

Gimbel Bros., one of Pittsburgh's delivery-struck department stores (BW-Dec.12'53,p50), tried a new angle to sell big gift items that couldn't be toted home. Purchases were photographed and the mounted pictures mailed to the buyer to put under the Christmas tree.

Radio listeners bought 13.5-million new sets during 1953 to increase the total number of sets in use to 110-million. Some 92% of owners keep their sets in operation three or more hours daily, according to CBS radio report.

Long-range sales training of dealers is aim of a program started by Radio and Television Division of Sylvania Electric Products, Inc. Some 11,000 dealers will be encouraged to recognize key sales points, analyze them, and make them the basis of sales programs.

Dry drives: Campaign against grocery beer sales slowed down in Idaho when Boise City Council decided to continue issue of licenses. Idaho Allied Civic Forces started statewide campaign to stop beer sales in stores patronized by minors. . . . Liquor-by-the-drink operators in Oregon must obey the law and serve food with drink in 1954, or lose their license.

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LOCAL BUSINESS



New Bridges for Old

DELAWARE WATER GAP, PA.—The famous Delaware Water Gap was bridged for the first time last month when the Delaware River Joint Toll Bridge Commission opened a new toll span there (picture). It's one of three bridges opened by the commission last month in a 39-mi. stretch of the Delaware.

Residents of the area are not unanimously happy about the new bridges. The commission closed three free bridges in the area at the same time it opened the toll bridges. Set up in 1934, the commission controls all Delaware River crossings but one between Trenton and the New York State line.

• **Link by Link**—First bridge to open was the one between Columbia, N. J., and Portland, Pa., about 6 mi. below here, on Dec. 1. That led toward closing of two free bridges—the 1869 covered bridge between Columbia and Portland, which is being kept open as a footbridge, and the bridge on U.S. 46, about 3 mi. farther south, which is still open pending disposition of an injunction obtained by a group of local residents.

The second bridge was the one here, which opened Dec. 16 and the third was the bridge between Milford, Pa., and Montague, N. J., which opened this week. The commission will demolish the old free bridge between Milford and Montague.

• **Needs Tolls**—The commission's answer to local complaints about the closing of free bridges is threefold: (1) The existing bridges are not adequate to carry present and potential traffic (both the Pennsylvania and New Jersey turnpikes plan spurs to the Water Gap area); (2) the only way to get the

needed \$15-million to build the new bridges was through revenue bonds; and (3) the only way to sell those bonds was to assure purchasers that their security—the toll bridges—would be protected against free-bridge competition.

Life in the Old Mill

PLYMOUTH, MASS.—When the 54-year-old George Mabbett & Sons worsted mill closed here last July, it threw more than 100 employees out of work. But this community of 10,000-odd resignedly accepted it as just another instance of the textile industry's decline in New England. A hard fact was the loss of \$24,000 of retirement and vacation credit that the employees had amassed; this was washed away in the mill's bankruptcy.

Plymouth got its first pleasant surprise in September, when Boston textile man Bernard Goldfine acquired the mill and set about modernizing it. He installed new machinery preparatory to a reopening that's now scheduled for later this month.

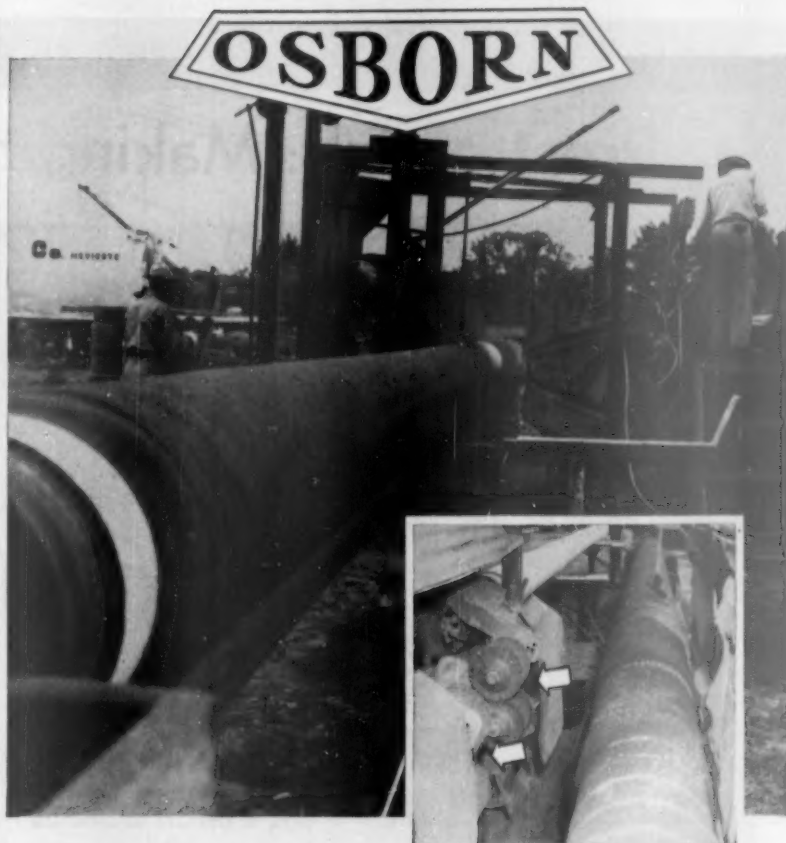
The second pleasant surprise came in the form of a Christmas present last week, when, as an employee- and community-relations gesture, Goldfine voluntarily assumed the apparently defunct liability for retirement and vacation pay, and presented checks for the full \$24,000 to the mill's former employees. The 10 employees who collected the more than \$13,000 of retirement pay represented a total of 341 years of employment with the mill.

Water by Rail

HEREFORD, TEX.—This "town without a toothache" in the Texas Panhandle now has special railroad rates to ship its drinking water to all parts of Texas.

Hereford won national attention a few years ago when a dentist reported that tooth decay is almost unknown here, and subsequent investigation showed that the underground sands from which the town gets its drinking water furnish practically ideal quantities of fluorides.

The town didn't do anything much to commercialize its good fortune. But demand for Hereford water from other parts of the state, though unsolicited, continued to increase slowly. Now, at the request of the Texas-Louisiana Freight Bureau, which represents the railroads, the Texas Railroad Commission has O.K.'d special carlot freight rates on "plain common water" shipped from Hereford by rail to any other part of the state.



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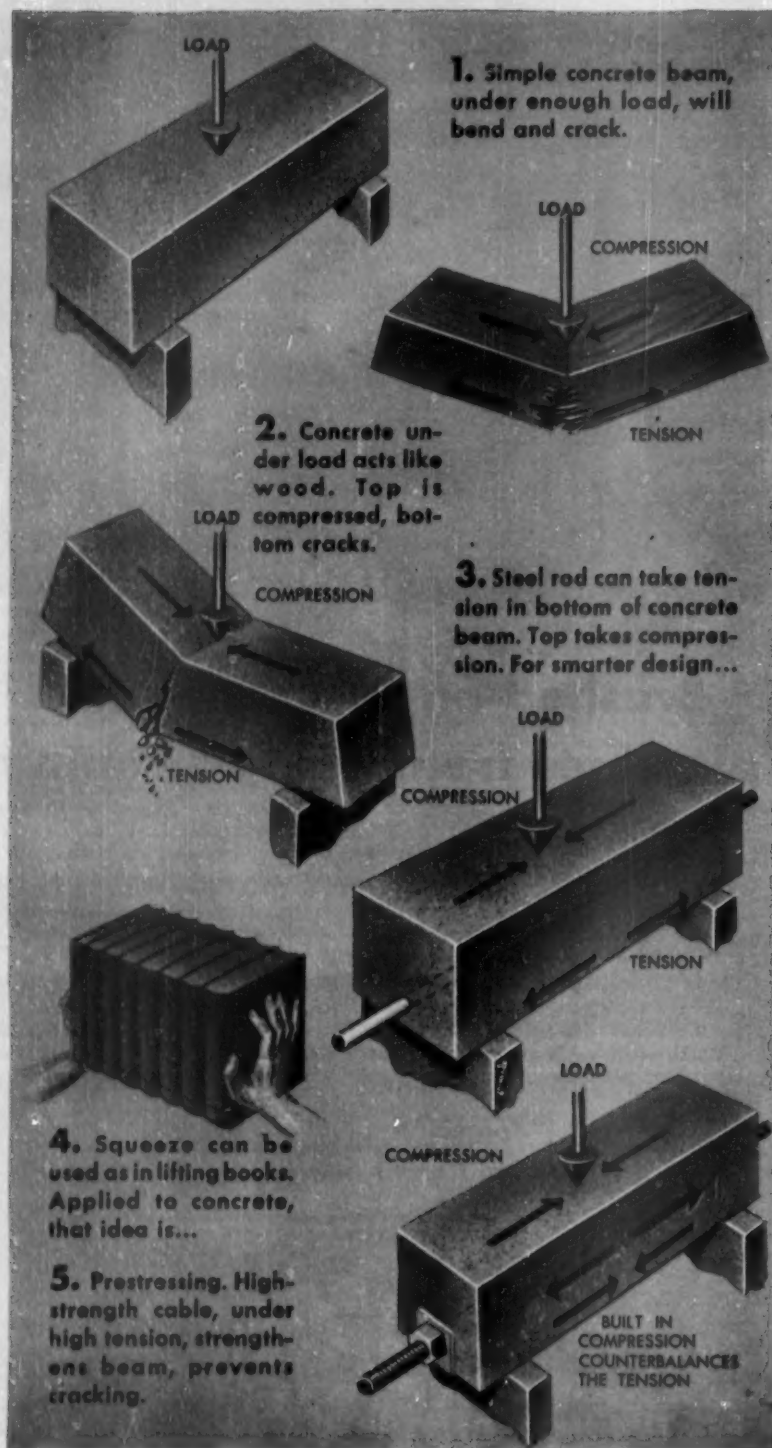
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PRODUCTION

Prestressing: Making the Push Match



In the coming year you'll hear more about prestressed concrete (left) than ever before. Two or three years of trial and promotion have begun paying off in wider use of this construction method. Builders traditionally resist innovations, but they can't resist the savings in material and unit cost that prestressing offers.

Prestressed concrete was first used largely for highway bridges. Now it's getting a foothold in building construction, though mostly for the smaller structures.

• **What It Isn't**—In the materials that go into it—steel and concrete mix—prestressed concrete is much like ordinary reinforced concrete. But the internal forces are quite different.

As the drawing shows, a horizontal concrete beam is subjected to two opposing forces when weight is placed on its center. The beam tries to bend down in the middle. This squeezes the material in the upper side of the beam—a force called compression. It also stretches the material in the lower edge of the beam—a force called tension.

Concrete withstands compression very well. In fact, under compression it gets stronger. But in tension concrete will snap like a dead twig. That's why builders use steel reinforcing rods in concrete: to help take the strain of tension and to hold the material together after it cracks.

• **What It Is**—In prestressing, a steel cable is laid in the form when the concrete is poured (occasionally it may be pulled through a longitudinal hole after the concrete sets) and it is stretched by hydraulic jacks. After the concrete has hardened, the jacks are released. The cable, anchored at both ends of the concrete beam, puts a compressing force on the whole length of the beam.

When a heavy weight is placed on the center of a prestressed beam, the forces of tension on the underside of the beam are canceled out by the built-in forces of compression. The beam is stronger without needing as much concrete material as an ordinary steel-reinforced beam.

• **Mass Production**—Prestressing lends itself to prefabrication, though beams can also be prestressed at the construction site. The production technique of mass-producing prestressed concrete beams is called precasting. A manufacturer pours concrete and tightens cables in a factory or an open-air casting yard. The finished beams can then be handled like steel beams.

the Pull

Precasting permits tighter quality control, cost savings through repeated use of the same casting equipment. And if the casting yard is under cover, the manufacturer can operate in bad weather that would stop on-the-site pouring.

With controlled quality, precasters claim they get fewer rejects, can build more strength into the beams with less concrete—and less cost.

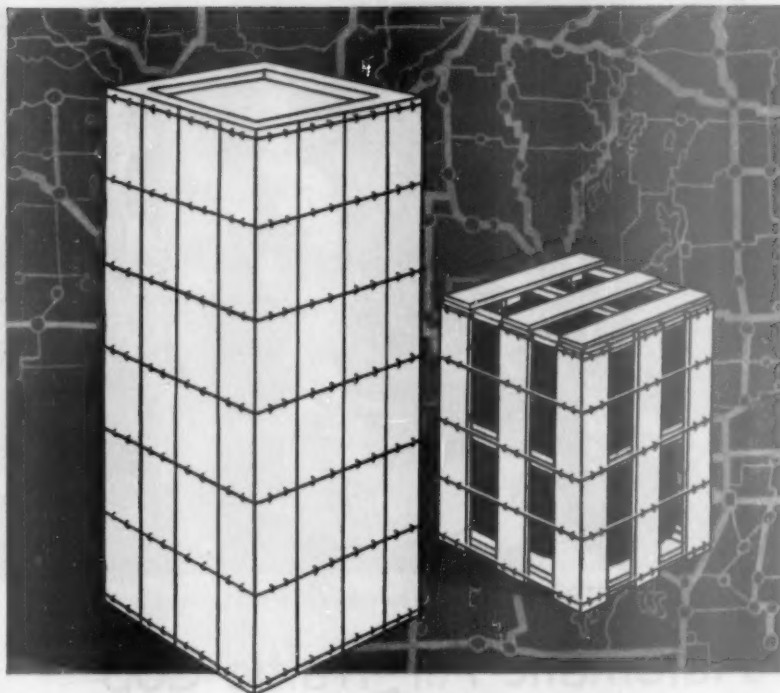
• **Customers**—Bridge builders were the first major customers for prestressing. They are still the leading enthusiasts. In 1951, the Pennsylvania highway department built 16 prestressed bridges; it more than doubled that number in 1952 and may have again doubled its installations last year when the total is added up.

In the building construction field, prestressing has so far been limited pretty much to small structures, three floors or less. Prestressed jobs are put up mostly by medium-sized contractors, though one of the giant companies sometimes builds one at the demand of a customer who has been sold on the advantages of the method. Strongest promoters of prestressing are the companies that mass-produce the beams to a customer's requirements for shipment anywhere in the country.

• **Savings**—To the building owner, prestressing is attractive as a high-quality process that costs less than, say, reinforced concrete and that saves time that's worth money.

For example, Beatrice Foods Co. used a precast, prestressed roof for a warehouse in Denver. Cost was about \$1.50 a sq. ft., compared with \$2 or more for a reinforced concrete job. And the Port of Long Beach, Calif., prestressed the roof of a new fireproof warehouse at a cost of \$5.68 per sq. ft. of floor area—about half or two-thirds of the cost of conventional fireproof construction.

Glenn L. Martin Co. was hard pressed for office and production space a while ago. For the clerical work it needed a three-story building, and an existing aircraft plant needed a mezzanine for production operations. But structural steel was scarce at that time. Martin's contractor set up shop at the site and mass-produced prestressed concrete beams, with no trouble getting materials. In three months, nearly 800 beams were turned out for the factory mezzanine, and the office building, with 320 beams, went up in a record-breaking four weeks.



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"GUN" spots plane's image on radar screen that's part of an . . .

Automatic Air Traffic Cop

New Air Force system—Volscan—controls all planes approaching an airport, breaking the bottleneck. But it may be a while before it sees wide military, commercial use.

Military and civilian air officials got a look recently at a new device that promises to unplug the airport's biggest bottleneck—incoming traffic. It's a nearly automatic air traffic control system developed by the Air Force called Volscan, the most nimble-minded setup anybody has yet come up with.

The Air Force Research Center at Cambridge, Mass., has been testing the system for more than a year, claims now that it can handle 120 jets or 100 piston aircraft per hour, can guide planes out of the air and onto the landing strip at 30-second intervals. That's three times faster than the best traffic control system your airport can buy today, according to Benjamin F. Greene, Jr., head man on the Volscan development team. The value of Volscan—or some device like it—will grow as the jet age rolls in and airports feel an urgent need for help in handling the mounting load.

• **How It Ticks**—From the picture above, you may get the idea that Volscan is just another radar landing device. Actually, it's a lot more than that: It's a combination of electronic, tracking, and computing units that can control automatically all planes approaching an airport.

It works like this: An ordinary rotating radar antenna sweeps the sky, detects approaching aircraft from as far out as 60 miles. As each plane is de-

tected, it shows up on the radar screen you see in the picture. Up to this point, Volscan has done nothing that any other traffic control device could not do. But here's where it's unique: When the operator sees the oncoming plane on the screen, she takes a gunlike instrument (above), points it at the plane's radar image, pulls the trigger. That gives the plane identity for Volscan's electronic memory unit. From that point on, you forget about the plane's position—the memory, called Antrac, keeps track of it.

Next, the operator pushes a button to set Volscan's reasoning and calculating section to work. This is called Datac; what it really amounts to is an electronic traffic manager. It considers the plane's relationship to the airport and to other inbound aircraft. Then it figures out a schedule that will permit the plane to arrive as early as possible without conflicting with other incoming planes.

Once it has selected the schedule, Datac starts calculating control orders for the incoming plane. Through a radio operator, who merely reads Datac's orders over a voice radio channel, Datac gives the pilot his approach instructions: heading, altitude, airspeed. When he's at the airstrip, it tells him to slow down, lower his landing gear.

It's not quite ready yet, but Volscan's developers will soon have a new gadget

that takes the radio operator out of the picture entirely; it's an electronic transmitter called the data link. It will take messages off the Datac, pulse them off to the plane's cockpit. There the pulse can show up on the control panel for the pilot's guidance, or it can feed right into the automatic pilot.

Volscan's job is over when a plane comes within two miles of the runway—provided it is satisfied with the plane's heading and altitude. At that point, the pilot can bring the plane down, or—if weather is unusually bad—he can switch onto the airport's regular ground control landing system.

• **Problems and Prospects**—Right now, the Air Force has one spot in mind for use of Volscan, but for security reasons won't disclose it yet. It's not certain if AF will go ahead immediately. For one thing, a second group of Air Force scientists is working on the problem of automatic traffic control at the Rome (N. Y.) Air Development Center. This group is not believed ready yet with a system that can handle a group of aircraft at a time, according to Aviation Week, a McGraw-Hill publication. Nonetheless, the Air Force seems to want time to size up alternative setups.

Meanwhile, the Civil Aeronautics Administration is eyeing Volscan, too. With certain modifications, it could be integrated with present CAA traffic landing systems. But don't expect to see Volscan in commercial use in the immediate future. While results in the past year's tests have been good, some Air Force observers say there are still bugs to work out.

One hurdle they point to is the need for a check on the memory unit. Before Volscan can be tagged absolutely safe, some device must be found that will tattle on the memory unit if it forgets something. If—as is conceivable—the unit should function improperly and schedule two planes to land at precisely the same time, nobody would know about it until too late. Another drawback observers point to: The system does not show the altitude of any aircraft under its control. Instead, every plane is assigned an altitude, then is counted on to keep it until Volscan orders a change.

• **Cambridge View**—The Cambridge development group is convinced that all these criticisms fall flat. Dr. L. M. Holingsworth, chief of the laboratory in which Greene and his team developed Volscan puts it this way: "Volscan is basically safe as it now stands. But if you want greater accident safeguards, there's a simple supplementary device—a 'collision predictor or preventor'—that could be put into the system. This device would take information from all computers and would give a warning if any aircraft were in danger of collision. And the warning

would be given in plenty of time to take protective measures."

Greene thinks Volscan is ready now for extensive tests in commercial airports. When he showed it off to military and CAA officials in Boston last month, his aim was to put over to both groups that automatic traffic control was practical, ready for production. He said that a complete system could be produced for around \$100,000.

• **Use Today**—Even if Volscan were ready to go into every commercial airport tomorrow, however, only the larger fields would find an immediate need for it. And none would buy it solely for its ability to deliver as many as 120 planes an hour. No airport has that kind of a traffic problem—yet. Something like 30 or 40 planes an hour is closer to today's peak load.

But for these, Volscan could prove a valuable piece of equipment. Even with 30 planes, two or three hours of peak traffic is enough to tire, maybe confuse, the team in the control tower—and then you run the risk of accidents. That's why Volscan could be the answer: A plane every 30 seconds won't faze it. Moreover, what's now excess capacity is bound to come in handy when the traffic pace quickens in the future.

PRODUCTION BRIEFS

Sulfuric acid production will start this month in Bartow, Fla., as the first step in placing the new Davison Chemical Corp. triple superphosphate plant in operation. The acid unit, with a rated capacity of 550 tons of 100% sulfuric acid per calendar day, will make it the world's largest producer of the chemical, according to Monsanto Chemical Co., designer of the plant.

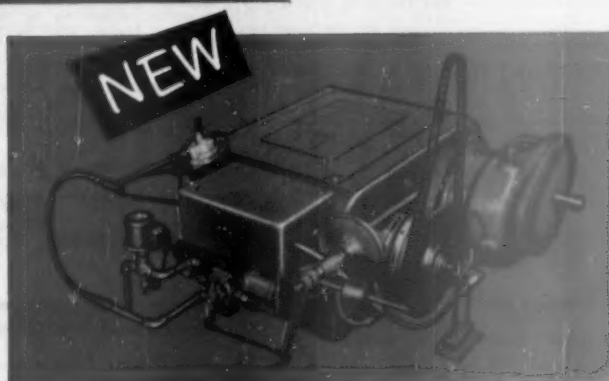
• An automatic method for keeping a helicopter hovering directly above a desired point has been shown in a joint demonstration by Hastings Instrument Co. Inc., Raydist Navigation Corp., and Piasecki Helicopter Corp. The composite system consisted of a continuous-wave radio location system called a Raydist, an autopilot, and a Piasecki twin-rotor helicopter.

• Big screen color TV (21 in. and larger) may come out of a licensing agreement signed this week by Chromatic Television Laboratories, Inc., and Thomas Electronics, Inc., picture tube supplier to many set producers. The Lawrence color tube, developed by Chromatic, uses a single electron gun, like present black and white sets, is relatively easy to mass produce and consequently may bring down prices.

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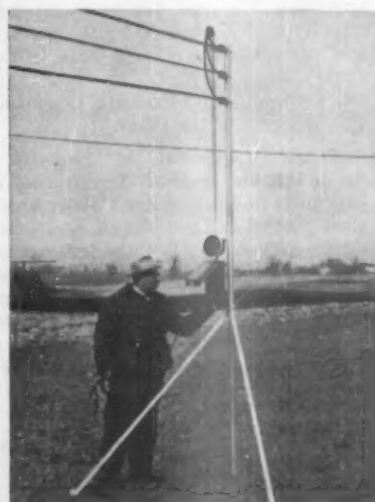
NEW PRODUCTS



Portable Computer

A desk-top analog computer, smaller than a table-model television set, has been produced by Reeves Instrument Corp., a subsidiary of Claude Neon, Inc. It's designed especially for small industrial or college laboratories that cannot afford or do not need full-size models. It can handle problems including 12 variables.

• Source: Reeves Instrument Corp., 215 E. 91st St., New York, N. Y.



Utility Mast

The problems of running in temporary electricity for new construction or field installations can be simplified with a new all-steel mast developed by Utility Service Co. The mast unit,

which can be installed by an electrician in a few minutes, comes completely assembled including heavy-duty insulators, rain-tight utility box, and meter bracket. The box has two 120-volt outlets and one 220-volt, each separately fused. It raises service wires 12 ft. off ground level, telescopes down to 8 ft. for haulage and storage.

- Source: Utility Service Co., Racine, Wis.
- Price: \$36.50.

NEW PRODUCTS BRIEFS

Electronic methods are used to control both the pattern and dye coloring used in printing tablecloths, drapery, and dress fabrics. The continuous process originated by Castle Creek Prints, Inc., is said to be faster and more accurate than the conventional hand process. The machine, built in Switzerland by Buser Co., costs slightly over \$80,000.

A magnetic drill press with a wide range of applications in machine shops for drilling, reaming, and tapping operations, is manufactured by Cano & Buck Mfg. Co., 100 Cypress Ave., Los Gatos, Calif. A magnet in the base holds the press against the work, makes it possible to take the tool to work instead of moving a heavy piece to a large radical arm drill press. It has a built-in rectifier to energize the magnet, a 10-in. drill stroke.

A motor oil to digest the varnish and sludge deposits that prevent engines from operating normally has been developed by Lubricants Division of Shell Oil Co., 50 W. 50th St., New York, N. Y. Shell says its product is neither a crankcase lubricant nor an upper-cylinder solvent to be fed through the carburetor. It is designed for temporary use in the crankcase in place of the regular motor oil.

Portafone is a new two-way radio made by Stewart-Warner Electric, the TV, radio, and electronic division of Stewart-Warner Corp., 1926 Diversey Pkwy. It has FCC approval for personal use on a fixed frequency of 465 megacycles. It can be used with a battery pack or can be plugged into a 115-volt, 60-cycle, a.c. electric outlet. Price runs about \$200 for a pair.

Four-wheel steering is a feature of a new materials handling Shovel loader built by Baker-Lull Corp., 314 W. 90th St., Minneapolis, Minn. It has a 19-ft. wheelbase for added stability, yet has an inside turning radius of 7½ ft.

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Bold Diplomacy

The Kremlin's decision to accept President Eisenhower's proposal for private talks on atomic energy marks a decisive stage in the East-West conflict. It would be foolhardy to believe that the talks will lead to real agreements anytime soon, but the very fact that the Soviet Union is willing to discuss the vital question of atomic power is a promising, indeed hopeful, sign. Undoubtedly internal pressures have played a part in the Kremlin's decision. But a large share of the credit belongs to the new foreign policy of the U. S., which has the twofold aim of bolstering the free world alliance and taking advantage of Soviet weakness.

The new foreign policy is suited to the American temperament. It is a candid, cards-on-the-table approach. And it is a bold policy. In attempting to break the atomic deadlock, the President offered to scrap the Baruch plan. He also offered to share atomic secrets with our allies. His plan is calculated to make a fresh start at solving the problems that have plagued us since the end of World War II.

No More Striped Pants

The policy has been misunderstood and misinterpreted here and abroad. When Secretary of State John Foster Dulles gave the French a blunt lecture on the need for ratifying the European Defense Community pact, he was criticized in many circles as being untimely and undiplomatic. By the popular conception of the diplomat—a striped-pants gentleman well versed in delicate nuances of language—Dulles may well have been guilty as charged. But if this traditional notion of the diplomat ever existed, it has long since been outmoded.

Blunt honesty—especially with our allies—is essential in the atomic era. Those who claim that Dulles was undiplomatic in chiding the French fail to recognize the change that has taken place.

It is true that the French have shown no disposition to make constructive moves. Under the circumstances, Dulles was not out of order in showing impatience. But Dulles was doing more than that. His words were designed to awaken the French from their attitude of confused inaction before the Big Four meeting in Berlin next month.

Unless the U. S. and its allies can thrash out their differences, they face the threat of being split apart by the Russians. The British recognize this. They supported Dulles instantly, rather than grumbling about his bluntness. They realize that he aims to strengthen, rather than destroy, the friendly alliance of the West.

They realize, too—as does Dulles himself—that relations between Russia and the West have reached a crucial stage. The Soviet Union has run into bad trouble in East Germany, at a time when West Germany's voters have emphatically supported the U. S. posi-

tion. This is a gain for the West and—international affairs being as mercurial as they are—the West must move fast to consolidate that gain before it evaporates.

This need for fast action formed the backbone of Dulles' lecture to the French. If he spoke bluntly, it was because the facts themselves are blunt. Dulles was merely spelling out the price of survival.

He knew that West Germany's Chancellor Konrad Adenauer is dedicated to the idea of Western unity, and is a friend of the French. With French support, Adenauer's Germany could become the key to West Europe's defenses (BW—Dec. 12 '53, p100).

But only with French support. As Dulles sees it, the French must be jolted out of their inherited fear of Germany. They must recognize that France is an integral part of a great coalition, and—as such—is not free to indulge in the old diplomatic game of playing one side off against another.

If France doesn't cooperate, the West will face a moral and political defeat that could do incalculable harm. As Dulles warned, the U. S. would be faced with an "agonizing reappraisal of basic policy."

Leading from Strength

This bold diplomacy carries some risks, of course—as does almost any aggressive policy. But they are calculated risks. And so far, they have proved to be risks well worth taking.

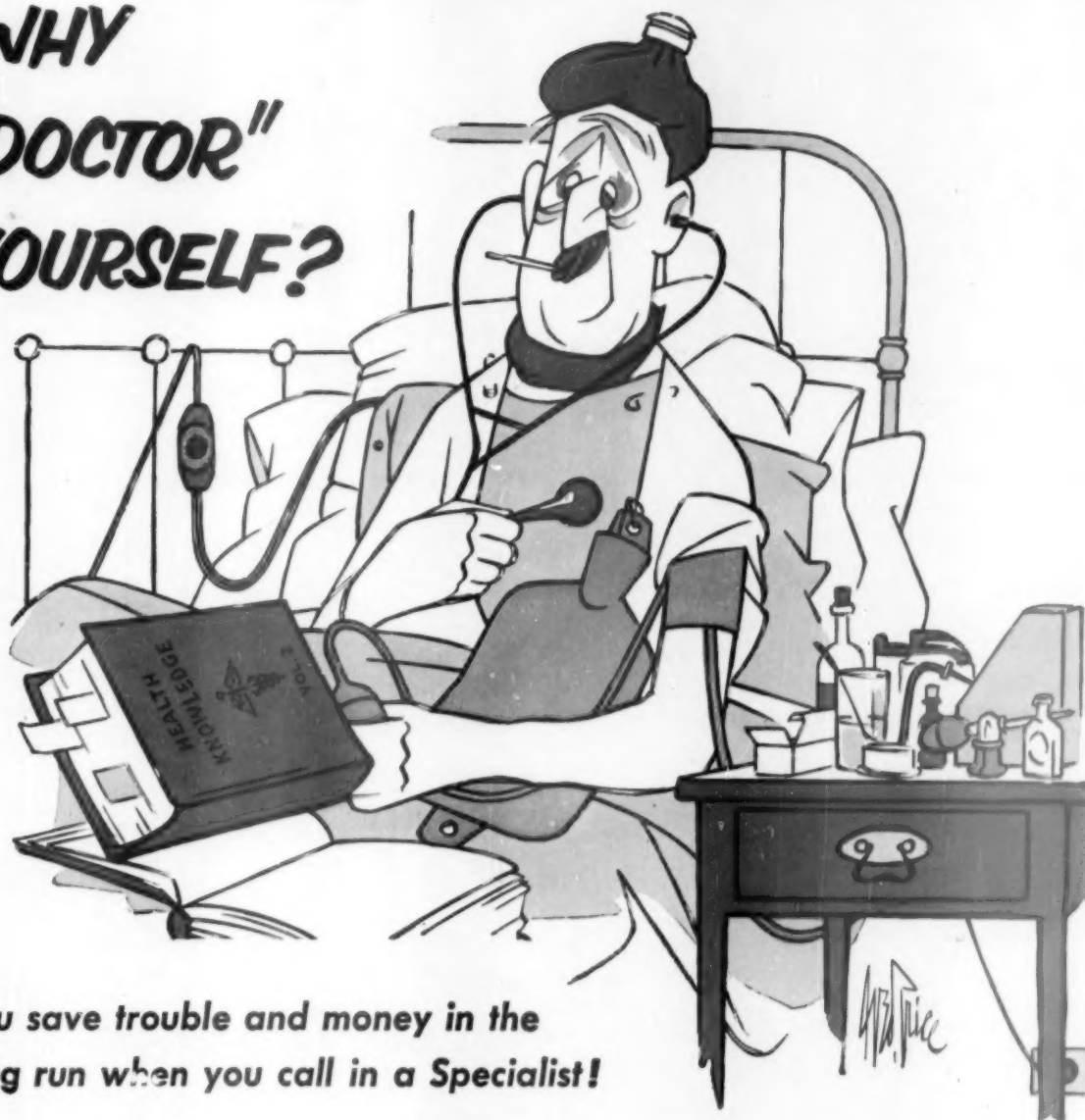
Dulles hurt some diplomatic feelings last April when he warned America's allies in Europe that EDC must be ratified. Yet he succeeded in resurrecting EDC from premature burial. He was criticized for clumsy diplomacy in September, too, when he made it clear that the U. S. supported Adenauer in the West German elections. But again, he got what he wanted: a West-oriented German government.

President Eisenhower's bold proposals on atomic energy have had results, too. By offering the world a way out of a tense impasse, Eisenhower has given the U. S. the whip hand. His proposals demanded that the Russians move, and they moved. When they come to talk on atomic energy, moreover, they'll find the United States leading from real strength (BW—Dec. 19 '53, p29). The bold diplomacy has a solid foundation both in growing military power and in the backing of the Western allies.

None of this may sit well with old-line diplomats, but it's a practical necessity.

Survival in the atomic era demands both honesty and bluntness in foreign policy. It may not be a pretty pattern. It does not conform to the usual diplomatic niceties. But we are engaged in deciding the fate of mankind. Only a calculated policy of utter frankness and boldness can work.

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